



CALIFORNIA HUB FOR
ENERGY EFFICIENCY
FINANCING

On-Bill Repayment Infrastructure

January 31, 2017

Workshop Goals: On Bill Repayment (OBR) Infrastructure

- **To present the opportunities** offered by the CHEEF On-Bill Repayment pilots **and gauge the interest** of financial entities in participating in the program.
- **To share the proposed On-bill Repayment infrastructure**, as developed by the Investor Owned Utilities and CHEEF, with stakeholders.
- **To communicate where CHEEF has flexibility to modify OBR processes**, and where CHEEF does not, based on the limitations of utility billing systems and CPUC direction.
- **To seek input from stakeholders and interested parties** on the proposed OBR infrastructure prior to continued program development and prior to drafting of regulations.
- To identify any aspects of the program that present **challenges or obstacles** for lender participation as well as potential solutions.
- To lay out **the OBR governance structure and legal and identify any gaps or needs**.

Additional Resources on CHEEF Commercial Pilots

This is the third workshop in a series proposing parameters for the CHEEF commercial pilots. Previous workshops have addressed:

- Commercial **Financing Parameters** (July 20, 2016)
- Commercial **Project Eligibility Parameters** (October 28, 2016)

Find workshop materials regarding proposed financing and project guidelines at:

<http://www.treasurer.ca.gov/caeatfa/cheef/sblp>

Or

<http://www.thecheef.com/commercial>

Agenda

1. Introduction
2. Pilot Programs Overview
3. Governance and Agreement Structures & Secure Cash Flow
4. OBR Eligibility
5. OBR Enrollment Process and Establishment of First Charge
6. OBR Payment Flow
7. Delinquencies, Disconnection and Removal
8. Reporting and Data
9. Questions for Finance Entities

Slide deck contains an Appendix with additional resources on the OBR pilots

Introduction

Meet CAEATFA



- Housed within the State Treasurer's Office
- Uniquely positioned at the intersection of state energy and finance policy since the 1980s.
- Develops market-driven financial assistance programs to support the State's energy and environmental policy goals.

What is the CHEEF?

1. A **public-private partnership** among state agencies and investor owned utilities (IOUs) to engage lenders, contractors, and borrowers.
2. CAEATFA houses, operates and leads the CHEEF.
3. A **streamlined, statewide platform** for lenders and contractors to participate in the uptake of energy efficiency projects through increased access to financing.
 - \$10 million for marketing, education, outreach and training for contractors and lenders.
 - Uniform program requirements throughout the state to leverage existing infrastructure and allow flexibility for development of new and innovative financial products.
 - A centralized network of participating contractors; project quality assurance and quality control requirements; minimum underwriting criteria for financial product development; credit enhancement structures.
4. A **data repository** for energy use, project, and financial data to inform future investment in energy efficiency projects.



CHEEF Pilot Program Goals:

- Incentivize **more attractive financing** reaching a **broader customer base** enabling **more EE projects** with **deeper energy savings**
- Bring **private capital** into energy efficiency space
- Establish a **statewide database** of EE **project and financing data** to spur future investments



CAEATFA Serves as Administrator of the CHEEF

Overseeing the CHEEF, CAEATFA will:

1. Develop program regulations including lender requirements, project eligibility criteria, and credit enhancement design
2. Coordinate with stakeholders, including the CPUC, IOUs, financial institutions, lease providers, contractors, and borrowers
3. Establish and manage contracts with:
 - Trustee bank
 - Master servicer
 - Contractor manager
 - Data manager

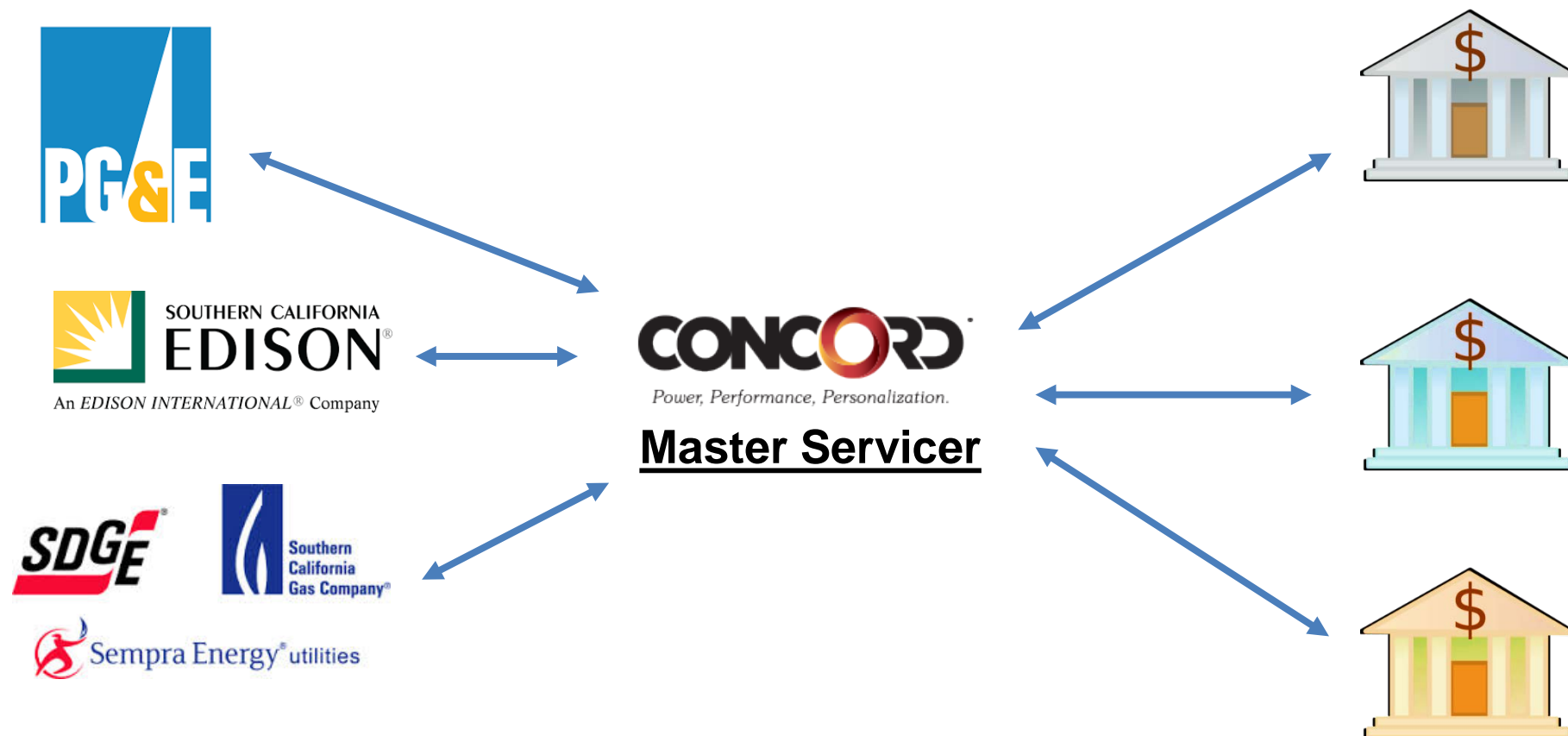
NOTE: Further detail provided in the Appendix

Pilot Programs Overview

On-Bill Repayment Overview

1. Customer makes single payment for energy and financing
2. Repayment mechanism that supports loans, leases & service agreements (ESAs)
3. Lender is responsible for underwriting, origination and all primary servicing functions including calculating & transmitting customer payment amount, to Master Servicer
4. IOU bills customers, receives remittances, and forwards to lenders via CHEEF structure
5. Potential energy service disconnection for non-payment, for commercial customers
6. Voluntary transfer of finance obligation (upon mutual agreement of lender & new occupant) to new building occupant, or financing comes off-bill at utility account closure.
7. IOU is not a party to the finance transaction

California's Open Market OBR Platform



A Master Servicer manages the flow of remittances from 4 utility companies, and organizes payments to multiple participating financial entities.

Overview of CHEEF OBR Programs

	Residential Efficiency Finance Line Item Charge	Master-Metered Affordable Multi- Family	Small Business (SBA qualified)	Large Commercial
Products	Loans, RIC, Payment Plans TBD Up to \$50,000	Loans, Leases, ESAs TBD Up to \$1MM	Loans, Leases, ESAs Up to \$2.5MM	Loans, Leases, ESAs Up to \$5MM
Disconnection	No Disconnection	No disconnection	Possible disconnection	Possible disconnection
Credit Enhancement	Loan Loss Reserve	Loan Loss Reserve Or Debt Service Reserve	Loan Loss Reserve	None
Occupancy Requirement	Owner occupants	Owner may NOT occupy	Tenant or owner occupants	Tenant or owner occupants
Project Requirements	70% EE*	70% EE and SHW	70% EE and DR**	70% EE, DR, or DG
Borrowers	PG&E residential customers	Property owners	Small businesses and non-profits	Any size business, government and non-profit
Service Territory	PG&E	All IOU Territories	All IOU Territories	All IOU Territories

*EE = Energy Efficiency; DG = Distributed Generation; DR = Demand Response; SHW = Solar Hot Water

**CAEATFA requesting that CPUC permit DG to be repaid on the utility bill for small business, but DG would receive no credit enhancement.

OBR Value Proposition for Lenders:

1. Convenience for borrower: one payment for finance and energy charges
2. Payment performance may improve when finance payment is tied to utility bill payment.
3. Potential to reduce defaults via possibility of service disconnect in some cases
4. Reduce customer acquisition costs by providing access to branding opportunities and statewide marketing campaign. Affiliation with State of California and utility companies.
5. Credit enhancement for Small Business and Residential pilots programs.

OBR Pilot Program Status

1. Master Servicer (MS) and Investor Owned Utility (IOU) IT build out
 - Data Exchange Protocol (DEP) between IOUs and MS developed and undergoing final testing
 - Modifications to IOU billing systems developed and undergoing final testing
2. Program design, regulation development and workshops
 - Q1-Q2 2017
3. Anticipated launch date: Q3/Q4 2017

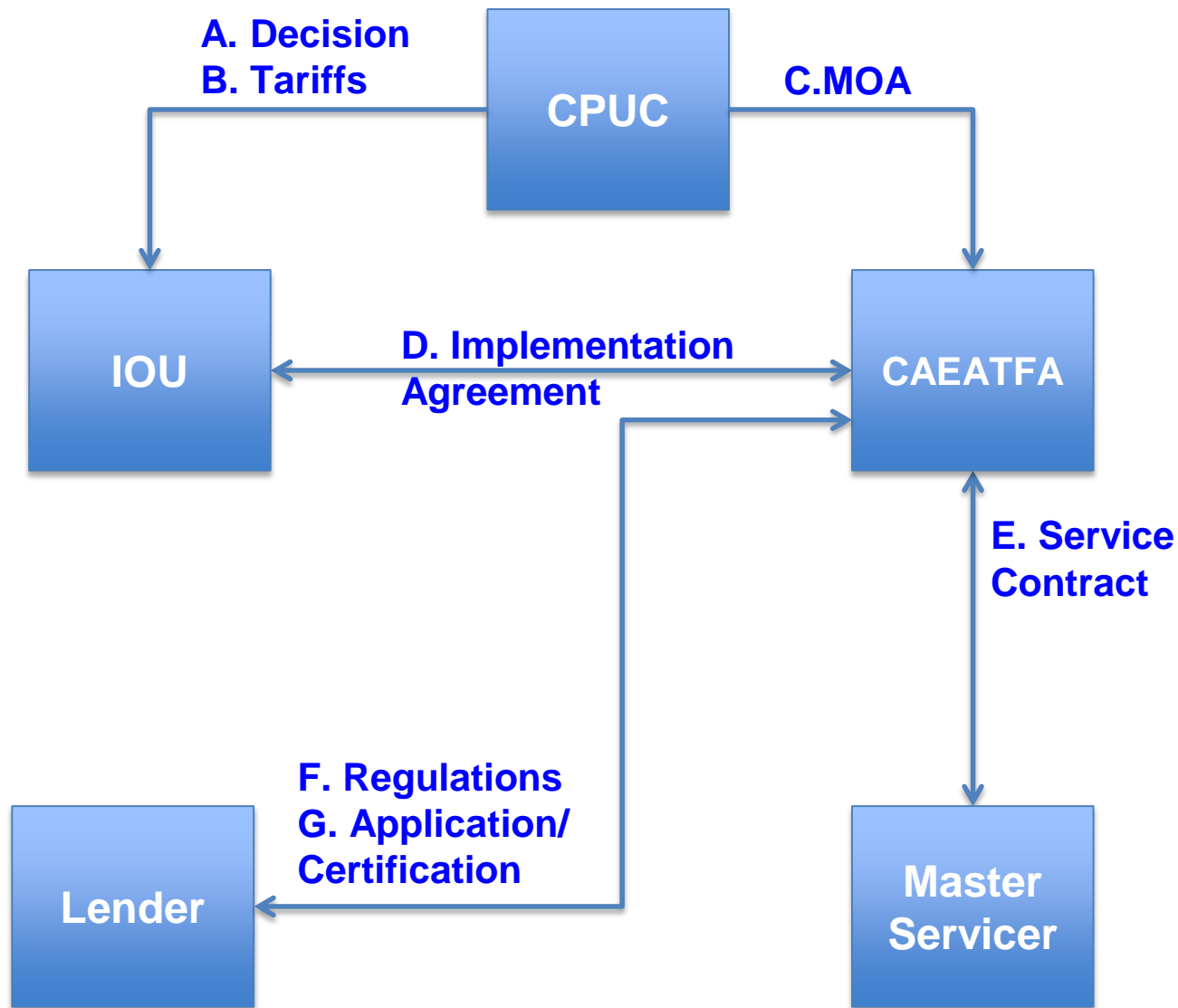
- Please provide feedback to CAEATFA on the content presented in this workshop, now – as part of this workshop, or afterwards by February, 28, 2017.
- CAEATFA will consider all comments and incorporate them as it deems appropriate.
- Comments can be submitted to cheef@treasurer.ca.gov or to Ed Day at eday@treasurer.ca.gov.

Pilot Overview Questions

1. Would you offer more attractive loan or lease terms or more flexible underwriting to utilize OBR?
2. For the commercial pilots, would you offer more attractive terms as a result of leverage resulting from disconnection for non-payment?
3. Certain pilots provide for a credit enhancement (CE) as an additional benefit for a lender. Please compare the value of a CE to the value of OBR.

Governance and Agreement Structures & Secure Cash Flow

Governance and Agreement Structure



Governance and Agreement Structure Cont.

Ref #	Legal Instrument(s)	Parties Involved	Definition/Description
A	Decision	CPUC-IOU	Regulatory order directing IOUs to implement pilot finance programs
B	Tariffs	CPUC-IOU	Schedule defining particulars of pilot finance program services offered by IOUs
C	Memorandum of Agreement (MOA)	CPUC-CAEATFA	CPUC authorizes CAEATFA to participate in and manage ratepayer-funded pilot finance programs
D	Implementation Agreement	IOU-CAEATFA	Agreement between IOUs & CAEATFA establishing roles, responsibilities and terms to implement pilots.
E	Service Contract	CAEATFA-Master Servicer	Concord's scope of work as Master Servicer to support treasury, IT and procedural requirements of pilot finance programs
F	Regulations	Lender-CAEATFA	Rules issued by CAEATFA defining participation by Lenders in pilot finance programs
G	Application/Certification	Lender-CAEATFA	Lender-submitted application for CAEATFA's review and approval, containing certifications by Lender to comply with Regulations.

What if on-bill repayment goes wrong for a lender?

CAEATFA has identified two major scenarios that could cause lenders concern under the OBR structure.

1. **CAEATFA or its contractors fail to perform their roles** in the program as required by contracts with CAEATFA.
2. **IOUs fail to perform their roles in the program**, as required under the CA Public Utility Commission Decision.

Lender Remedies:

1. Lenders are strongly encouraged to address any concerns about the OBR program directly with CAEATFA.
2. Should the informal engagement with CAEATFA staff prove unsatisfactory, lenders have the option to:
 - a. Pursue legal action against CAEATFA;
 - b. Pursue action through a formal complaint process with the CPUC against an IOU.

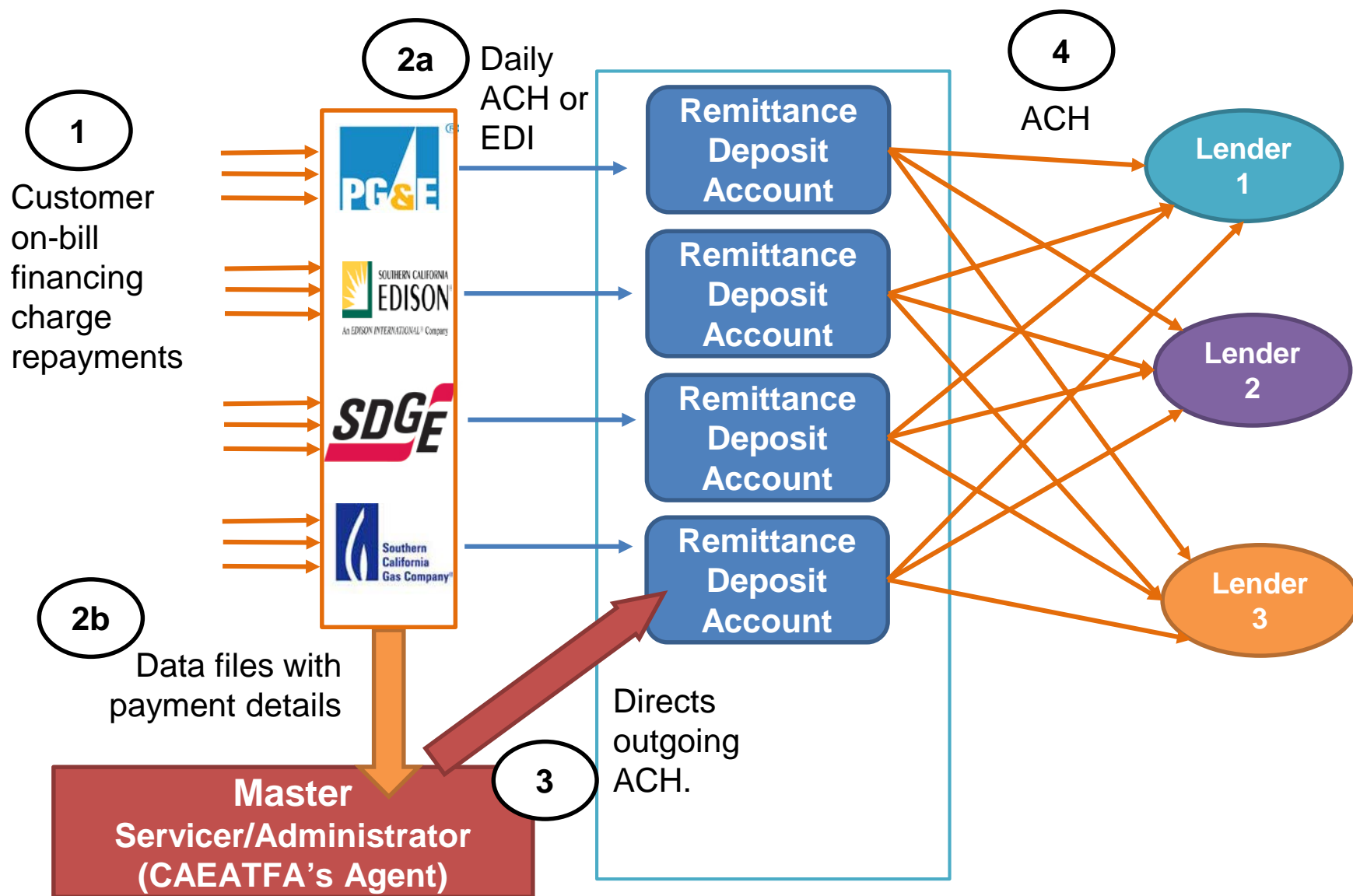
OBR Transaction Audit Trail

- Transfer of funds from IOU to Master Servicer to Lender is an automated, programmed process
- OBR infrastructure between the IOUs and Master Servicer provides for records of all important financial transactions

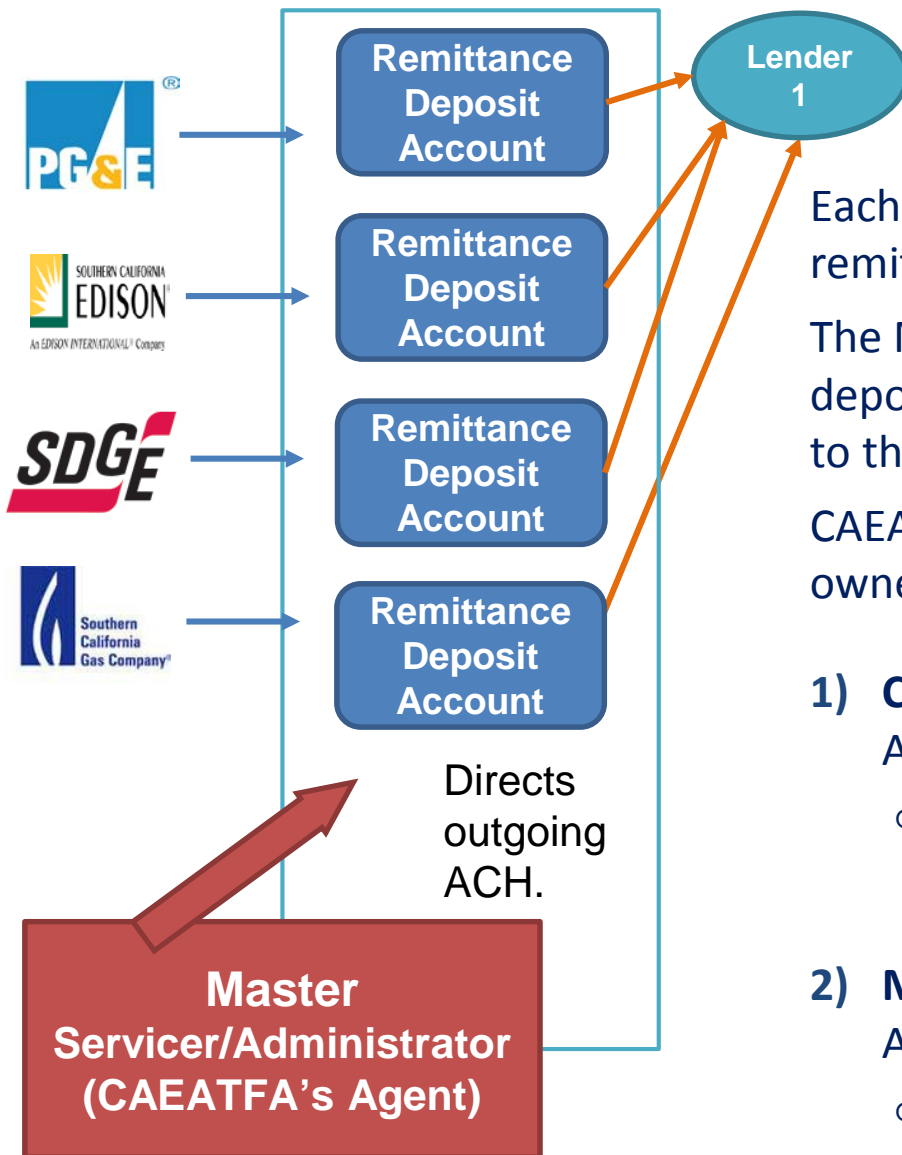
Payment	Data Record
Loan Charge Sent to IOU	Loan Billing Data File
Customer Payments <u>Sent</u> by IOU to Remittance Deposit Accounts	Remittance Data File
Remittance Deposits <u>Received</u> from IOU in to Remittance Deposit Acct.	Bank BAI File

- IOUs and Master Servicer retain files for significant period of time (typically in excess of 10 years)
- CAEATFA will be able to trace the flow of individual payments

OBR Flow of Funds and Data



OBR Remittance Deposit Account Ownership



Each utility makes daily deposits to a single remittance deposit account.

The Master Servicer accesses the remittance deposit accounts to direct outgoing ACH transfers to the correct lenders.

CAEATFA is exploring two options to structure the ownership of the remittance deposit accounts:

- 1) **CAEATFA owns** the Remittance Deposit Accounts
 - MS has limited, third-party access to disburse funds only to lenders in the program through restricted templates
- 2) **Master Servicer owns** the Remittance Deposit Accounts
 - MS has a custodial/beneficial ownership

Governance and Secure Cash Flow Questions

CAEATFA has either contracts or operational processes with the IOUs and the Master Servicer that cover how frequently and how each remits customer financing payments.

1. Does the current OBR governance structure suffice for your participation?
2. Would codifying the above operational processes in an agreement between CAEATFA and each of those parties be necessary for your participation? Or, would viewing the contract between CAEATFA and its MS be sufficient?
3. Do you believe you need your own agreements with either the Master Servicer or the IOUs?

Governance and Secure Cash Flow Questions

4. Does it make a difference to you, from a risk perspective, if CAEATFA versus the Master Servicer were to own the remittance deposit accounts?
5. Please answer the following for both scenarios:
 - A. If the Master Servicer were to own the remittance deposit accounts
 - B. If CAEATFA were to own the remittance deposit accounts
 - Would you need to perform counterparty analysis or underwriting on the Master Servicer?
 - Would you require any direct legal relationship with the Master Servicer?
 - What sort of commitments, if any, of CAEATFA's direction to the Master Servicer to remit funds to the lenders would you need to see?

OBR Eligibility

Overview of OBR Eligibility by Program

	Residential Efficiency Finance Line Item Charge	Master-Metered Affordable Multi- Family	Small Business (SBA qualified)	Large Commercial
Products	Loans, RIC, Payment Plans Up to \$50,000	Loans, Leases, ESAs TBD Up to \$1.0 MM	Loans, Leases, ESAs Up to \$2.5MM	Loans, Leases, ESAs Up to \$5MM
Occupancy Requirement	Owner occupants	Tenants Only	Tenant or owner occupants	Tenant or owner occupants
Project Requirements	70% EE	70% EE and SHW	70% EE and DR No DG*	70% EE, DR, DG
Borrowers	PG&E customers	Property owners	Small businesses and non-profits	Any size business, government and non-profit
Service Territory	PG&E	All IOU Territories	All IOU Territories	All IOU Territories


EE = Energy Efficiency; DG = Distributed Generation; DR = Demand Response; SHW = Solar Hot Water

*Current CPUC guidance does not permit repayment of DG on the utility bill. CAEATFA is asking the CPUC to consider permitting inclusion of DG in the small business pilots, but the DG portion would not receive a credit enhancement.

IOU Requirements for Borrowers:

Account in good standing

1. No past due payments at time of loan enrollment in OBR
2. No past due payments at time of first charge being placed on the bill
3. No Active Payment Arrangements (an IOU agreement for customers to catch-up on past due energy charges)
4. No active bankruptcy

**ENERGY STATEMENT**
www.pge.com/MyEnergy

1 Account No: 1023456789-0
Statement Date: 05/09/2013
Due Date: 05/28/2013

2 Service For:
Commercial Customer
1234 Commercial Drive
Extra Address Line
Anytown, CA 00000

3 Your Account Summary
Amount Due on Previous Statement \$4,329.22
Payment(s) Received Since Last Statement -4,329.22
Previous Unpaid Balance \$0.00
Current Electric Charges \$6,156.08

4 Questions about your bill?

5 Total Amount Due by 05/28/2013 \$5,156.08

IOU Requirements for Borrowers:

Account Rate Class and Monthly Billing

1. **Customer utility rate class (aka rate schedules) must match the program.**
 - i.e., for enrollment in small business pilot, customer must be in a commercial rate class
 - Rate classes appear on IOU utility bills as textual ("Domestic") or alpha-numeric ("GNR1"). CHEEF will provide a listing, by IOU, of eligible Rate Classes.
2. **Customers (ie. the borrower) must receive a monthly bill from an IOU**
 - Net-metering customers (e.g., solar PV) not receiving a monthly bill may need to request IOU monthly billing OR may be switched to monthly billing
 - Customers receiving service from Energy Service Providers (ESPs) with no IOU monthly bill must request IOU billing; this separate bill may not be available from all IOUs

JANE SAMPLE						
77 BEALE ST SAN FRANCISCO CA 99999						
GAS ACCOUNT DETAIL						
17	Service ID# : 2468024680					
18	Rate Schedule: GNR1 Gas Service to Small Commercial Customers					
	Billing Days: 30 days					
19	Serial	Meter #	Prior Meter Read	20 Current Meter Read	21 Difference	22 Multiplier
	F	1212A1	42,473	42,973	500	1.001000
						23 Usage
						500 Therms

OBR Eligibility: Multi-Property Project; Master/Group Billing

Generally, a financing charge on a utility bill can cover costs for energy efficiency projects at only a single location.

- Some utilities may be able to accommodate financing charges for customers with group bills who had energy retrofit work done at multiple locations. (Group bills are bills that roll-up all utility charges for multiple locations to a single customer).

Eligibility Questions

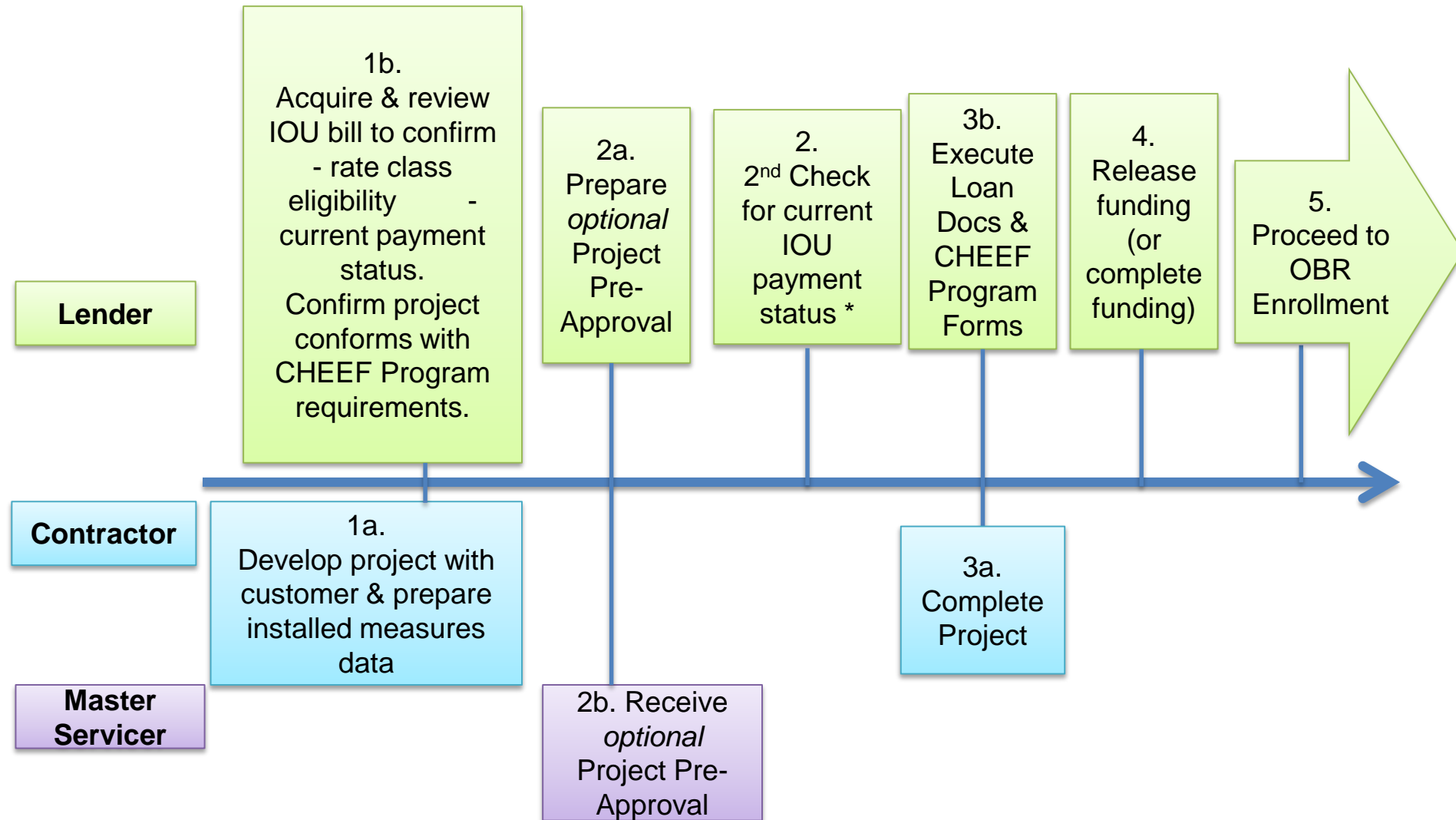
1. Do you foresee any operational or other challenges integrating IOU eligibility requirements with your own?
2. How important is it for you to have the ability to issue a single loan (with the financing charge placed on a single utility bill) to customers who have multiple-site projects?

OBR Enrollment Process & Establishment of First Charge

Suggested Lender Actions Related to Customer OBR Finance Agreements

1. Review IOU Loan Authorization Form terms, which enables IOU customer's approval to put a finance charge on the utility bill. By doing so, Lender should (a) understand the borrower's commitment to the IOU to pay lender's finance charges and (b) be able to align its processes and terms to align with OBR.
2. Lenders should consider conditions in their loan agreements to address certain events such as:
 - Borrower falls into arrears in the time between execution of loan docs and OBR initiation and IOU can not initiate OBR.
 - Borrower takes an action (such as selecting a consolidated energy service provider (ESP)) which causes them to cease receiving monthly IOU bills.
 - Prepayments of OBR charges must be made directly to the lender

Steps Toward Loan Closing & OBR Enrollment

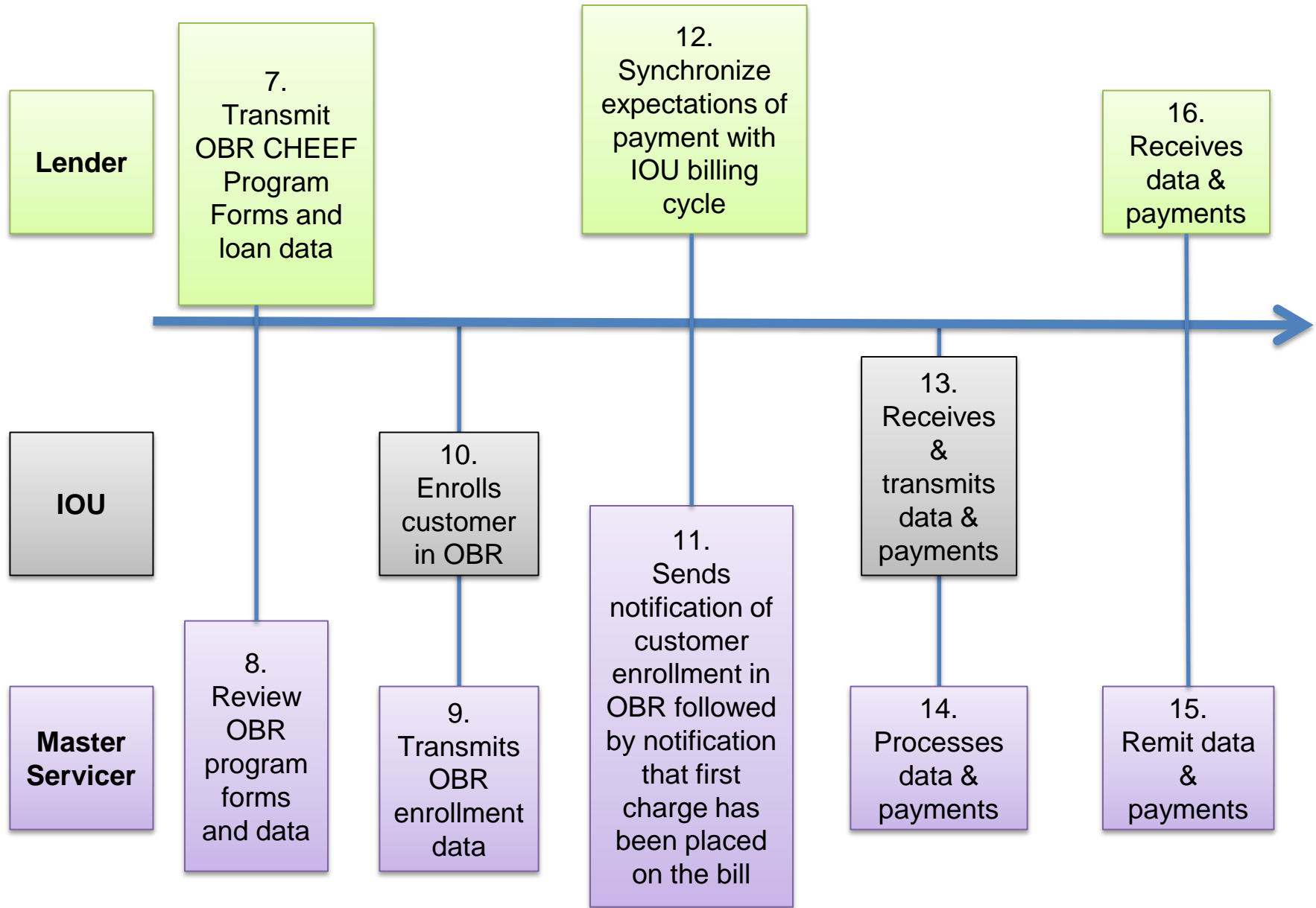


* CAEATFA recommends but does not require this step.

Program Forms & Program Data

1. **Loan Authorization Form:** IOU required form in which customer approves placing a finance charge on their utility bill. ***Lenders should review this form.***
2. **Customer Energy Data Release** (Customer Information Standardized Request): IOU required form in which customer authorizes release of energy usage data.
3. **Borrower Certification and Privacy Disclosure:** Borrower certification that project is completed and conforms to CHEEF program requirements; Notice to and approval from Borrower concerning data acquired by CHEEF.
4. **Certificate of Completion:** Contractor certification that project conforms to CHEEF program requirements and that measures were installed.
5. **Lender Certification Form:** Lender certification that loan terms conform to CHEEF program requirements and regulations.
6. **Project and Loan Data points:**
 - Information on utility account numbers, installed measures, costs and project service address(es) provided by contractor.
 - Loan/lease term, and borrower underwriting information from lender
 - option to use excel data or flat files.

Steps in OBR Enrollment Process Continued

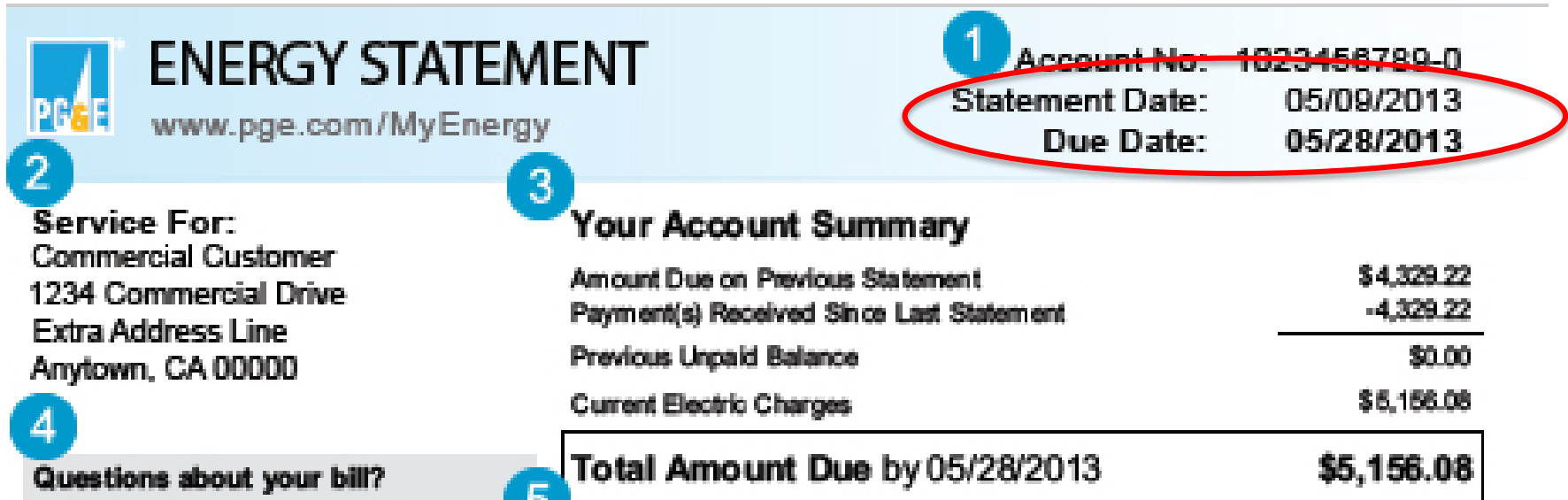


Notifications from the Master Servicer to Lenders

1. Master Servicer will send weekly reports comprising:
 - Confirmation that the first loan charge will appear on the IOU customer's next utility bill
 - Confirmation of each subsequent monthly loan charge
2. Additional notifications and data exchanges discussed below in Reporting & Data section

Understanding IOU Billing Cycles

1. IOUs have up to 23 billing cycles per month, establishing a billing cycle that occurs shortly after energy service was originally established by an IOU Customer.
2. IOU bills have a generation or statement date and payment due dates, occurring 14-19 days after the statement date, depending on IOU.



The image shows a PG&E Energy Statement with several numbered callouts (1-5) highlighting key information. Callout 1 points to the account number, statement date, and due date. Callout 2 points to the service address. Callout 3 points to the account summary table. Callout 4 points to the 'Questions about your bill?' link. Callout 5 points to the total amount due.

PG&E ENERGY STATEMENT
www.pge.com/MyEnergy

1 Account No: 1023456789-0
Statement Date: 05/09/2013
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2 Service For:
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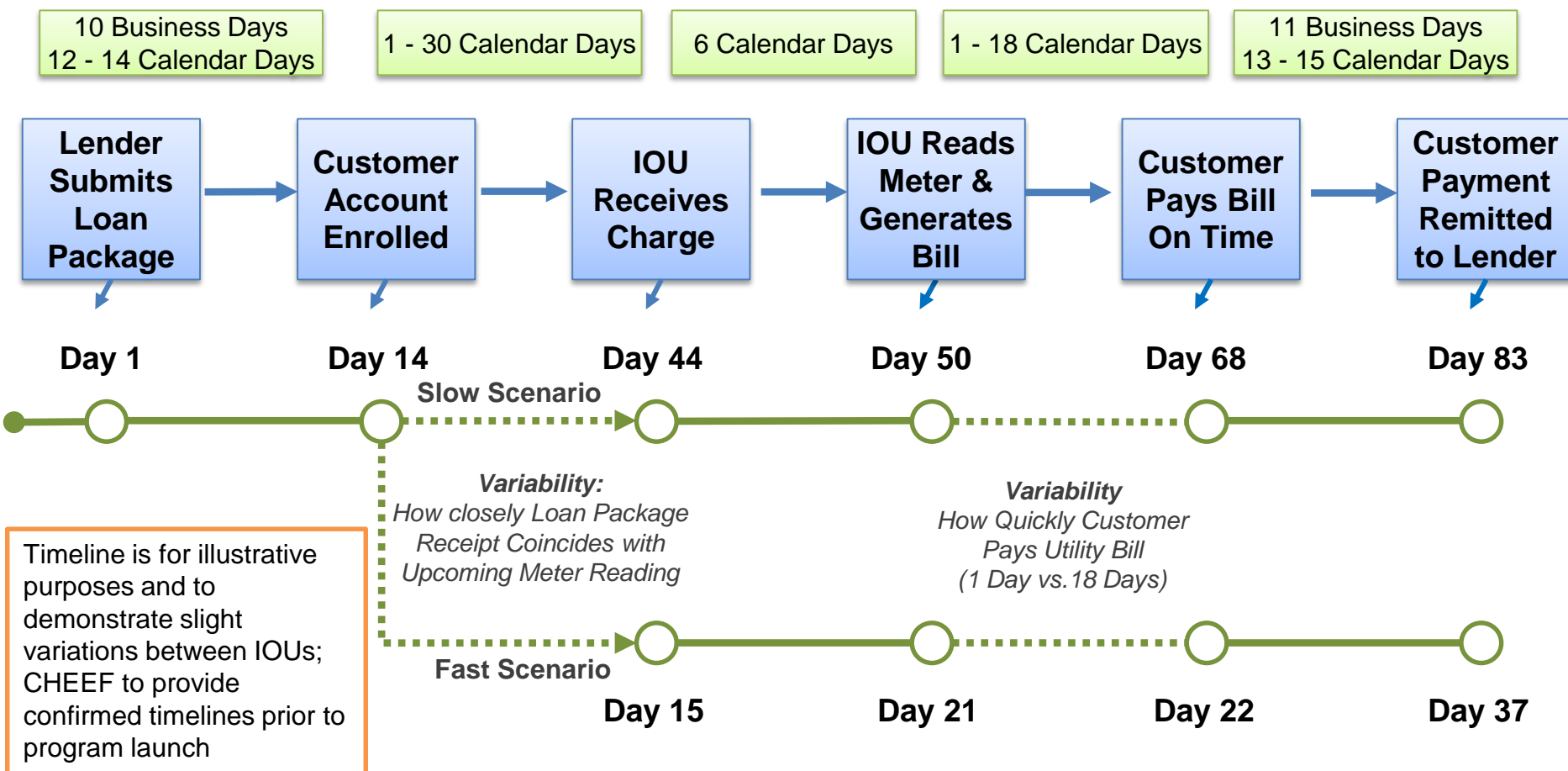
5

Timing of Customer Payments: Synchronization with IOU Billing Cycles

1. Lenders should expect their finance charges to be placed on IOU bills within 1-2 billing cycles, from the time OBR **enrollment** is completed.
2. Lenders should expect customers to make payments on or before the IOU bill due date.
3. As IOUs receive payments, IOUs make daily remittances to deposit accounts accessed by the Master Servicer. IOUs do NOT wait for funds to clear.
4. Funds take several days to process and clear.
5. The Master Servicer makes daily remittances to the Lender with remittance data files.
6. Lenders receive payments within 15 calendar days of the customer paying the IOU.

Lender Will Receive First Payment within about 90 days

Illustration utilizing PG&E Commercial Timelines; see other illustrations in the appendix



Enrollment and Establishment of OBR Charge Questions (1)

1. Do you foresee any problem with the sequence of events for loan closing and OBR enrollment?
2. Do you foresee challenges amending your loan agreements to address borrower payments with OBR?
3. How would you address the fact that you will need to synchronize your customer payment dates with IOU billing cycles?

Enrollment and Establishment of OBR Charge Questions (2)

Forms and Data

4. Do you have any privacy concerns with providing CHEEF with borrower's name and service address for commercial customers?
5. PG&E plans to create an electronic version of the Loan Authorization Form and Customer Energy Data Release for customers to fill out online. Lenders would receive data directly from PG&E's *Share my Data* platform in xml format.
 - a. How feasible is it for you to integrate with the Share My Data API to access relevant data?
 - b. Do you prefer an API integration with PG&E or the use of PDF forms?

Details on PG&E API:

https://www.pge.com/en_US/business/your-account/account-management/share-your-data/green-button-data-exchange/api-access.page

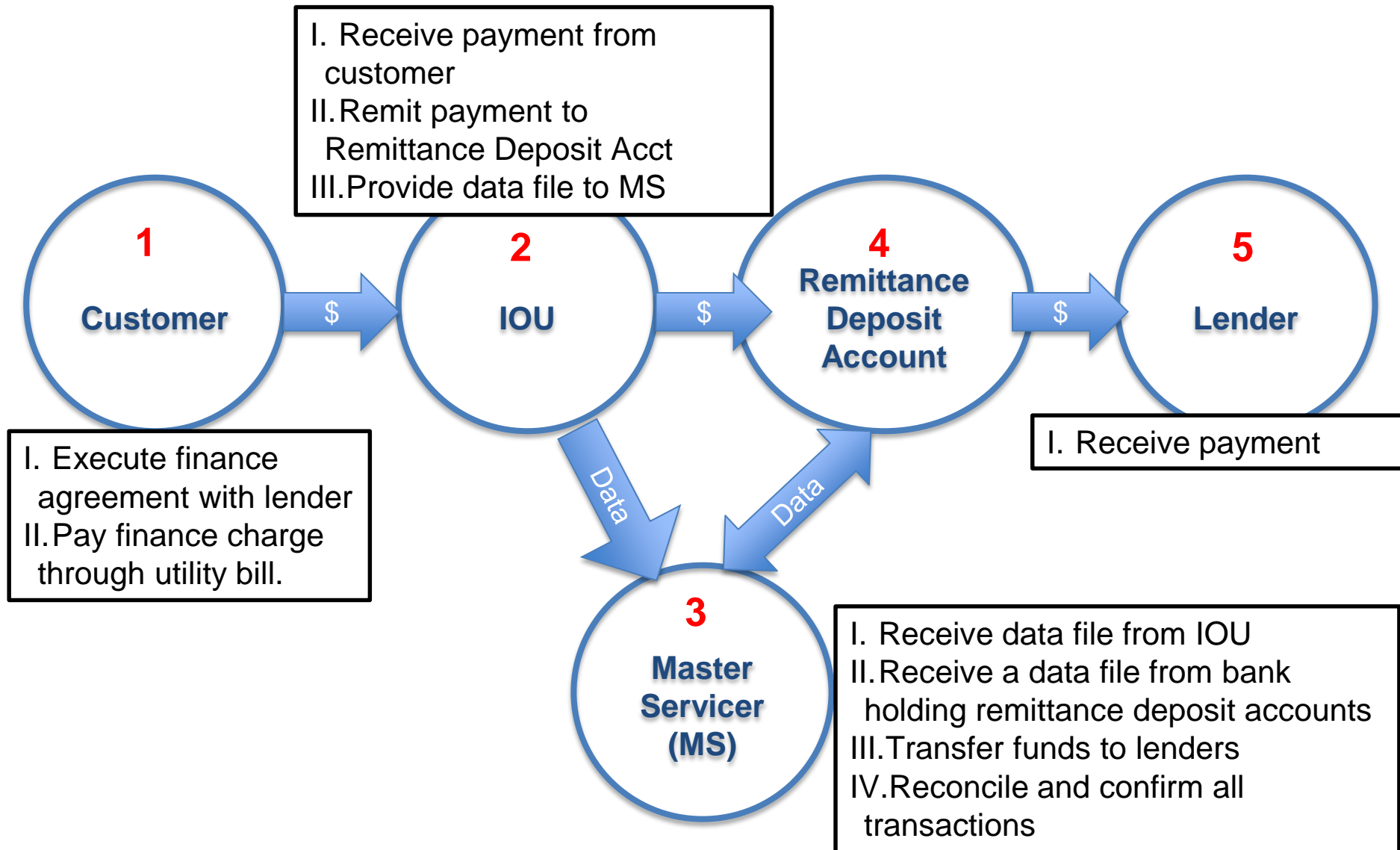
Enrollment and Establishment of OBR Charge Questions (3)

Pre-approval processes

6. Are lenders interested in a **project pre-approval**? (Currently contemplated by CHEEF)
 - Lenders can get confirmation that their project conforms to program requirements prior to loan closing
7. Are lenders interested in an **OBR pre-approval option**?
 - CHEEF would confirm:
 - Eligible Rate class
 - Properly completed Loan Authorization form
 - Commodity service account selection for charge

OBR Payment Flow

OBR Payment Flow



Application of Partial Payment of Financing Charges, per OBR Tariffs

SDG&E, SoCalGas,
PG&E Residential and
SCE Residential:
Waterfall Payments

Customer
Payment

Utility
Charges

Energy-
Related
Charges

OBR and
Other
Product
and
Service
Charges

PG&E Commercial &
SCE Commercial:
Pro Rata Payments

Customer
Payment

Utility
and
Energy-
related
Charges

OBR
Charge

Non-OBR
Charges

Payments will be applied to the past due
OBR Charges prior to current charges
under both partial payment structures.

Proportional

Prepayments

Customers must send pre-payments of loan/lease/ESA charges directly to the lender. Lenders should include this provision in their loan agreements.

- If a customer sends a pre-payment to the utility, the utility will consider it to be an advance payment against future energy charges, unless customer notifies the IOU that the pre-payment was intended for the loan/lease/ESA.
- Upon a customer notification discussed above, the IOU will return the pre-payment to the customer less existing energy charges.

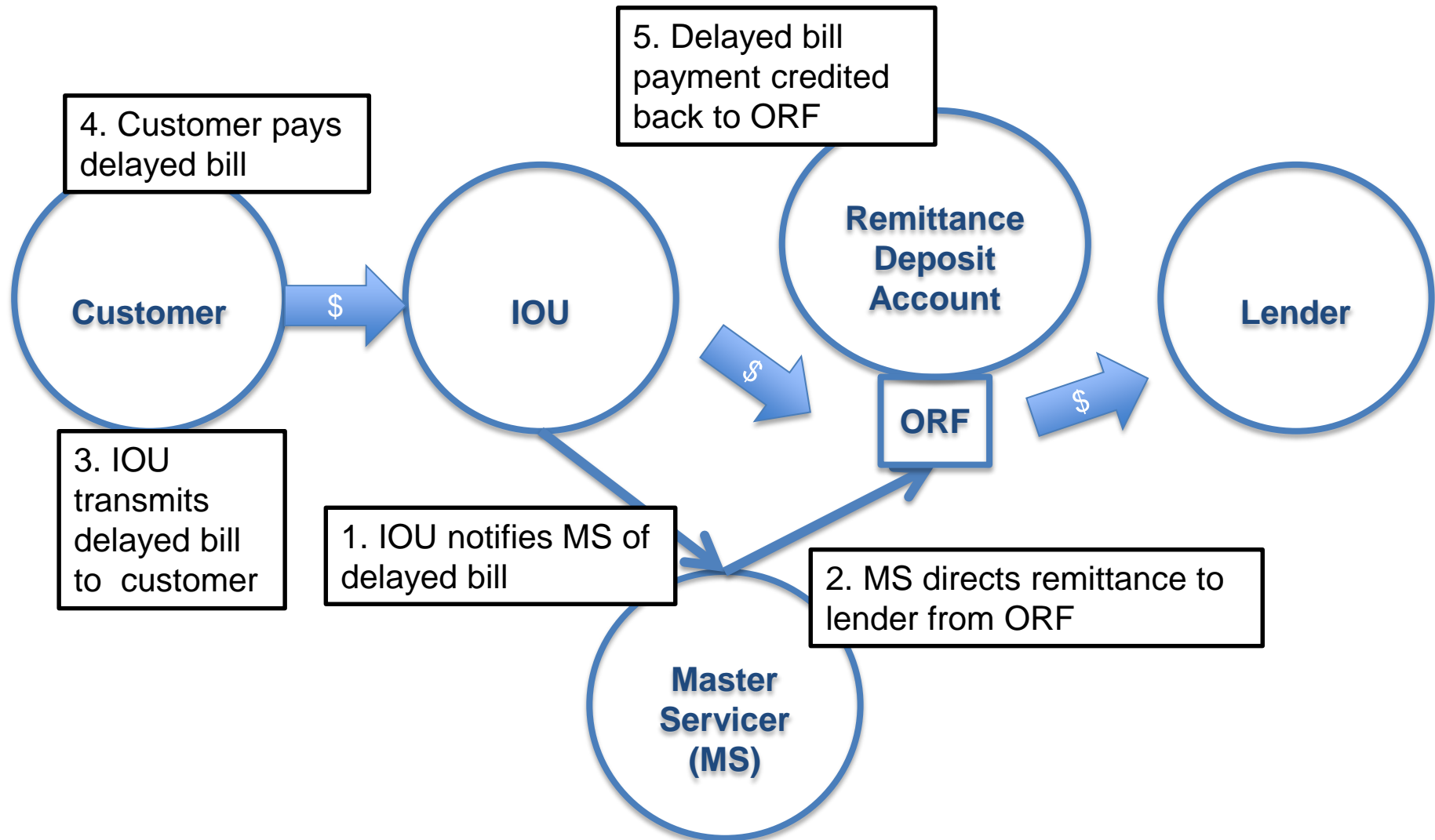
Operational Reserve Fund (ORF) to make lenders whole when payment disruptions occur (1)

- CHEEF has set aside up to \$3MM to seed the Operational Reserve Fund
- Master Servicer will activate the ORF when:
 1. IOU reports a “delayed bill,” meaning customer bill did not go out at normal time
 2. IOU holds back payments to “make themselves whole” after discovering a returned payment
 - IOUs do not wait for customer funds to clear before initial remittance
 - IOU will withhold funds from next remittance to make up for the returned item
 - If IOUs withhold funds because Lender A had a customer with a returned payment, Master Servicer will use ORF to make sure Lender B receives their customer’s payment

Operational Reserve Fund (ORF) to make lenders whole when payment disruptions occur (2)

- Master Servicer will transfer payments from the IOU ORF account to the lender's account and provide notice to the lender
- In cases where CHEEF has triggered the ORF but the financing later goes to charge-off status, lender will be required to reimburse the ORF (or have ORF amount deducted from a loss reserve payment, where applicable)
- CHEEF will establish some transaction size limits on ORF transfer, TBD.

Operating Reserve Fund (ORF) Payment Flow: Delayed Bill Example



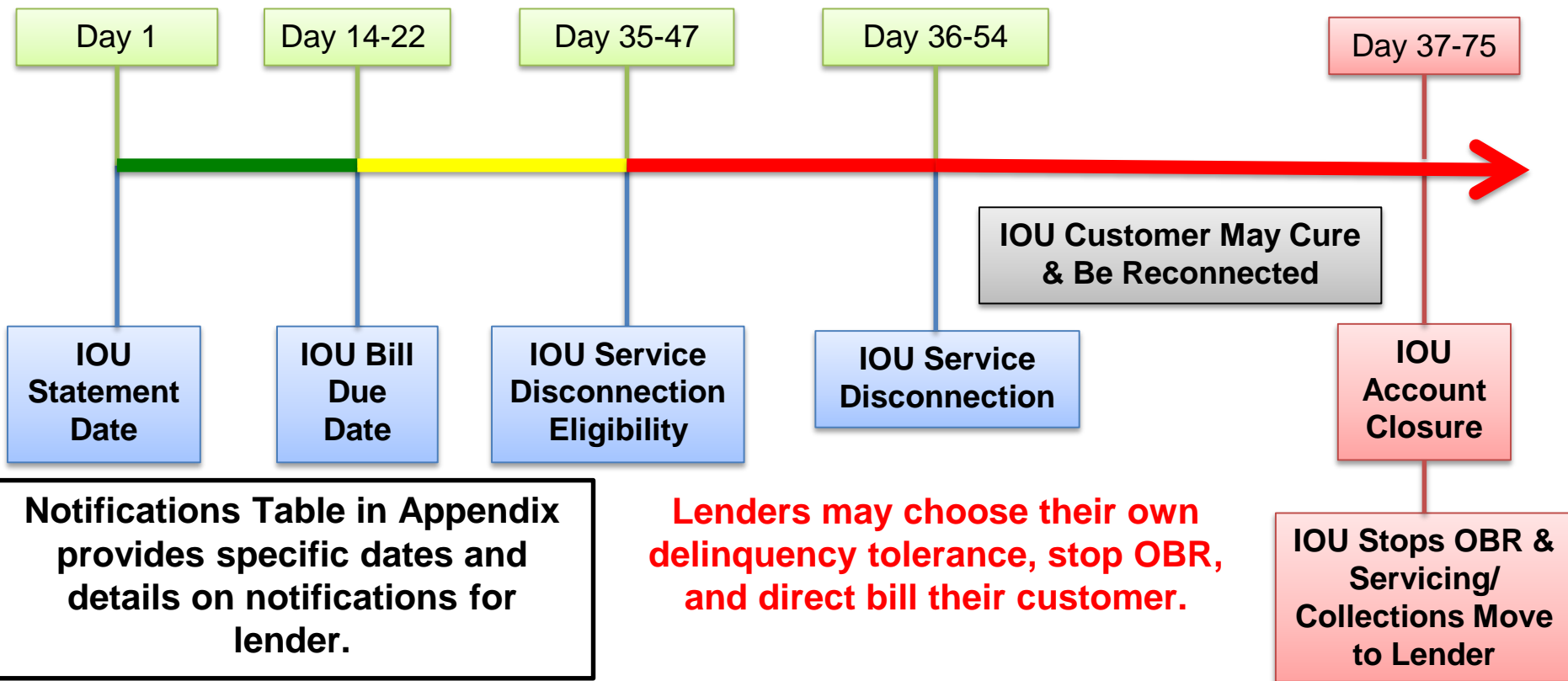
OBR Payment Flow Questions

1. Do you feel that the Operational Reserve Fund provides an effective solution for payment disruptions?

Delinquencies, Disconnection & Removal

IOU OBR Delinquency & Termination

IOU delinquency policies vary & fall within the date ranges below



OBR Removal Reasons: Non-Delinquency Related

While the Borrower may not request/remove OBR Charges, OBR removal from utility bills may be initiated by the Lender, the IOU or the CHEEF under certain situations.

Lender Initiated

Lender must notify CHEEF and state the reason.

Borrower Initiated Dispute

Lender is expected to resolve the dispute, during which time OBR will remain active.

Borrower Protracted Dispute

Protracted or escalated disputes (e.g. Borrower takes legal action or files a complaint with the CPUC), may result in CHEEF instructing the IOU Removal of OBR.

Borrower Bankruptcy Petition

If an IOU receives notice of a petition for bankruptcy from a Borrower, the IOU will remove OBR.
If a Lender receives notice of a petition for bankruptcy, the Lender must notify CHEEF, who will notify & initiate an OBR Removal by the IOU.

Delinquency and Termination Questions

1. What questions do you have regarding IOU delinquency or removal?
2. What questions do you have regarding lender-initiated removal?

Reporting & Data

Objectives of OBR Reporting & Data

1. Provide **regular information to lender** about the status of OBR charges
 - E.g. that monthly loan charges have been placed on customer utility bill
2. **Enable lenders to make adjustments** to monthly loan charges and adjust billing text fields.
3. **Track loan performance data** provided by lenders

Daily OBR Reporting Events: Master Servicer to Lender

1. Remittance Data:

- \$ amount per each CHEEF loan and date posted by IOU

2. Returned Payments (NSF)

- \$ amount per each CHEEF loan and date posted by IOU

3. ORF Transfers

- \$ amount per each CHEEF loan and date transferred

Weekly OBR Reporting from Master Servicer to Lender

(Sent each Sunday Night for all loans)

Enrollment data

- 1) Confirmation date of a new loan enrollment in On-Bill program; or date of rejection and rejection reason.
- 2) Utility customer's assigned "IOU Bill Day"

Billing data

- 1) Confirmation (date) that first and subsequent monthly charges are boarded onto the bill; or date of the reject and the reject reason

IOU Credit Actions

- 1) Utility account past due notification sent to customer (date of)
- 2) Utility energy disconnect date
- 3) Utility account closing date, and reason for account closure

Special Situations

- 1) Delayed bill notification
- 2) New IOU bill day
- 3) Removal from on-bill program confirmation

Monthly OBR Reporting from Lender to the Master Servicer

(By the 5th day of each month)

1. New monthly loan charge
 - Provided whenever lender needs to modify the charge
2. Updates to freeform message text
 - Lender has 3 lines of about 60 characters each to communicate details of charges to borrower
3. Loan performance data points
 - E.g., Current outstanding balance, delinquency & charge-off information, recoveries, updated maturity date or interest rate

Data and Reporting Questions

CHEEF currently contemplates data exchange to include flat files and excel workbooks.

1. Are lenders interested in an application programming interface (API) for data exchange with the Master Servicer?

Questions for Finance Entities

Pilot Overview Questions

1. Would you offer more attractive loan or lease terms or more flexible underwriting to utilize OBR?
2. For the commercial pilots, would you offer more attractive terms as a result of leverage resulting from disconnection for non-payment?
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Governance and Secure Cash Flow Questions

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1. Does the current OBR governance structure suffice for your participation?
2. Would codifying the above operational processes in an agreement between CAEATFA and each of those parties be necessary for your participation?
3. Do you believe you need your own agreements with either the Master Servicer or the IOUs?

Governance and Secure Cash Flow Questions

4. Does it make a difference to you, from a risk perspective, if CAEATFA versus the Master Servicer were to own the remittance deposit accounts?
5. Please answer the following for both
 - A. If the Master Servicer were to own the remittance deposit accounts
 - B. If CAEATFA were to own the remittance deposit accounts
 - Would you need to perform counterparty analysis or underwriting on the Master Servicer?
 - Would you require any direct legal relationship with the Master Servicer?
 - What sort of representations, if any, of CAEATFA's direction to the Master Servicer to remit funds to the lenders would you need to see?

Eligibility Questions

1. Do you foresee any operational or other challenges integrating IOU eligibility requirements with your own?
2. How important is it for you to have the ability to issue a single loan (with the financing charge placed on a single utility bill) to customers who have multiple-site projects?

Enrollment and Establishment of OBR Charge Questions (1)

1. Do you foresee any problem with the sequence of events for loan closing and OBR enrollment?
2. Do you foresee challenges amending your loan agreements to address borrower payments with OBR?
3. How would you address the fact that you will need to synchronize your customer payment dates with IOU billing cycles?

Enrollment and Establishment of OBR Charge Questions (2)

Forms and Data

4. Do you have any privacy concerns with providing CHEEF with borrower's name and service address for commercial customers?
5. PG&E plans to create an electronic version of the Loan Authorization Form and Customer Energy Data Release for customers to fill out online. Lenders would receive data directly from PG&E's *Share my Data* platform in xml format.
 - a. How feasible is it for you to integrate with the Share My Data API to access relevant data?
 - b. Do you prefer an API integration with PG&E or the use of PDF forms?

Details on PG&E API:

https://www.pge.com/en_US/business/your-account/account-management/share-your-data/green-button-data-exchange/api-access.page

Enrollment and Establishment of OBR Charge Questions (3)

Pre-approval processes

6. Are lenders interested in a **project pre-approval**? (Currently contemplated by CHEEF)
 - Lenders can get confirmation that their project conforms to program requirements prior to loan closing
7. Are lenders interested in an **OBR pre-approval option**?
 - CHEEF would confirm:
 - Eligible Rate class
 - Properly completed Loan Authorization form
 - Commodity service account selection for charge

OBR Payment Flow Questions

1. Do you feel that the Operational Reserve Fund provides an effective solution for payment disruptions?

Delinquency and Termination Questions

1. What questions do you have regarding IOU delinquency or removal?
2. What questions do you have regarding lender-initiated removal?

Data and Reporting Questions

CHEEF currently contemplates data exchange to include flat files and excel workbooks.

1. Are lenders interested in an application programmers interface (API) for data exchange with the Master Servicer?

APPENDIX

Appendix Contents

- Pilot Background
- OBR First Payment Timeline by IOU
- IOU Delinquency Timelines and Reporting Events to Lenders
- OBR Non-Performance Remedies
- IOU OBR Loan Authorization Form Language

Pilot Background

How OBR fits into CHEEF Pilots

Residential Pilots Comparison			
	Residential Energy Efficiency Loan Assistance Program (REEL)	Efficiency Finance Line Item Charge	Master-Metered Affordable Multi-Family
Products	Loans, Retail Installment Contracts (Up to \$50,000)	Loans, Retail Installment Contracts, Payment Plans (up to \$1,000)	Loans, Leases, ESAs
Repayment and disconnection	Off Bill	On-Bill	On-Bill
Credit Enhancement	Loan Loss Reserve	Loan Loss Reserve	Debt Service Reserve Fund
Occupancy Requirement	Tenant or Owner	Owner Occupants	Tenants Only
Project Requirements	EE and (DG permitted, but does not count toward 70% and not Credit Enhanced)	70% EE No DG	70% EE, Solar Hot Water, No DG
Service Territory	IOU Service Territories	PG&E	IOU Service Territories

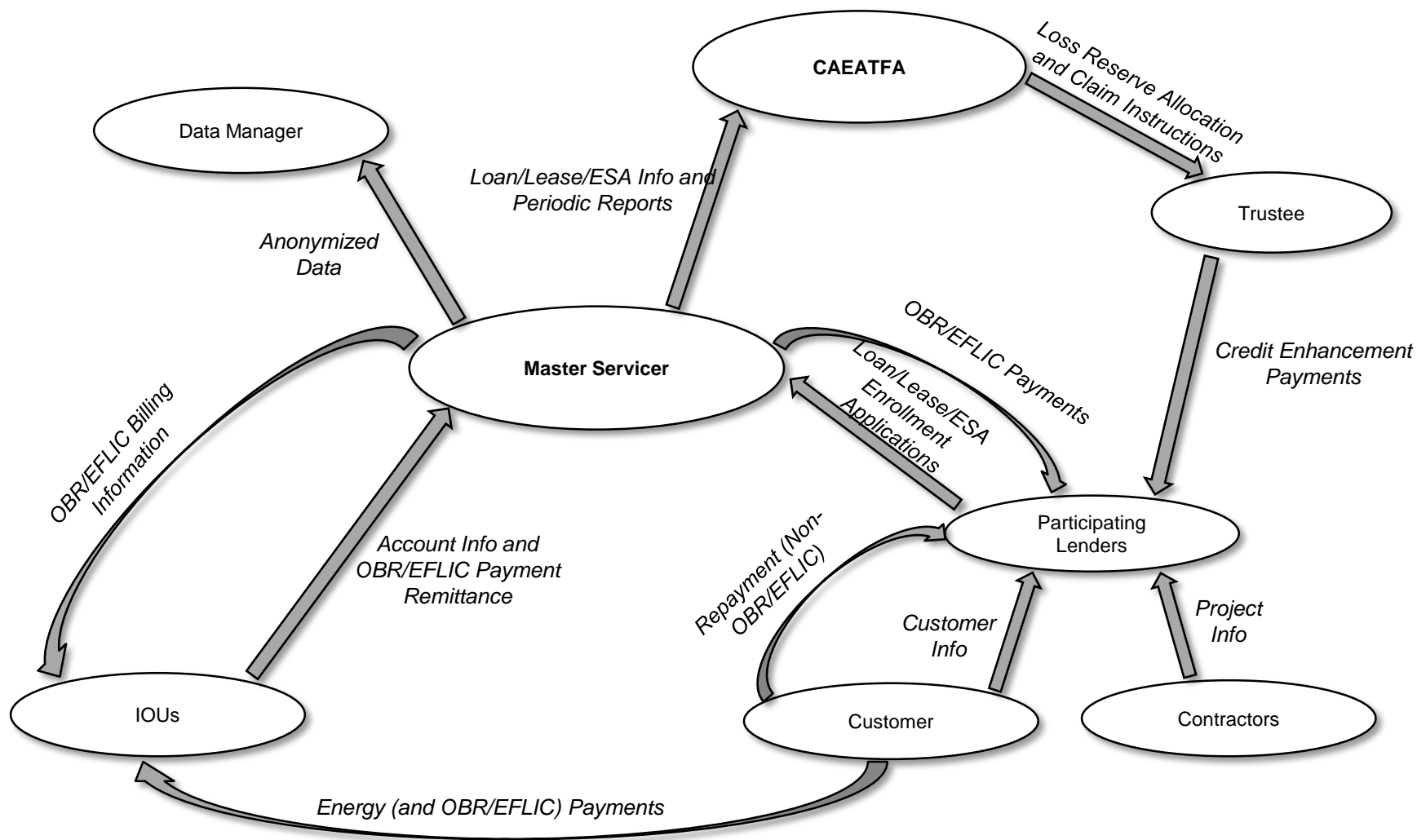
How OBR fits into CHEEF Pilots continued

Commercial Program Comparison			
	Small Business		Large Commercial
Products	Leases & ESAs* Up to \$2.5MM	Loans, Leases, ESAs Up to \$2.5MM	Loans, Leases, ESAs Up to \$5MM
Repayment and disconnection	Off-Bill	On-Bill Possible disconnection	On-Bill Possible disconnection
Credit Enhancement (\$10MM total)	Loan Loss Reserve		None
Occupancy Requirement	Tenant or owner occupants	Tenant or owner occupants, must be IOU customer	Tenant or owner occupants
Project Requirements	70% EE (DG permitted, but does not count toward 70% and not Credit Enhanced)	70% EE and DR No DG**	70% EE, DR, DG
Borrowers	SBA Small Businesses and Non-Profits		Any size business, gov. and Non-Profit
Service Territory	IOU Service Territories		IOU Service Territories

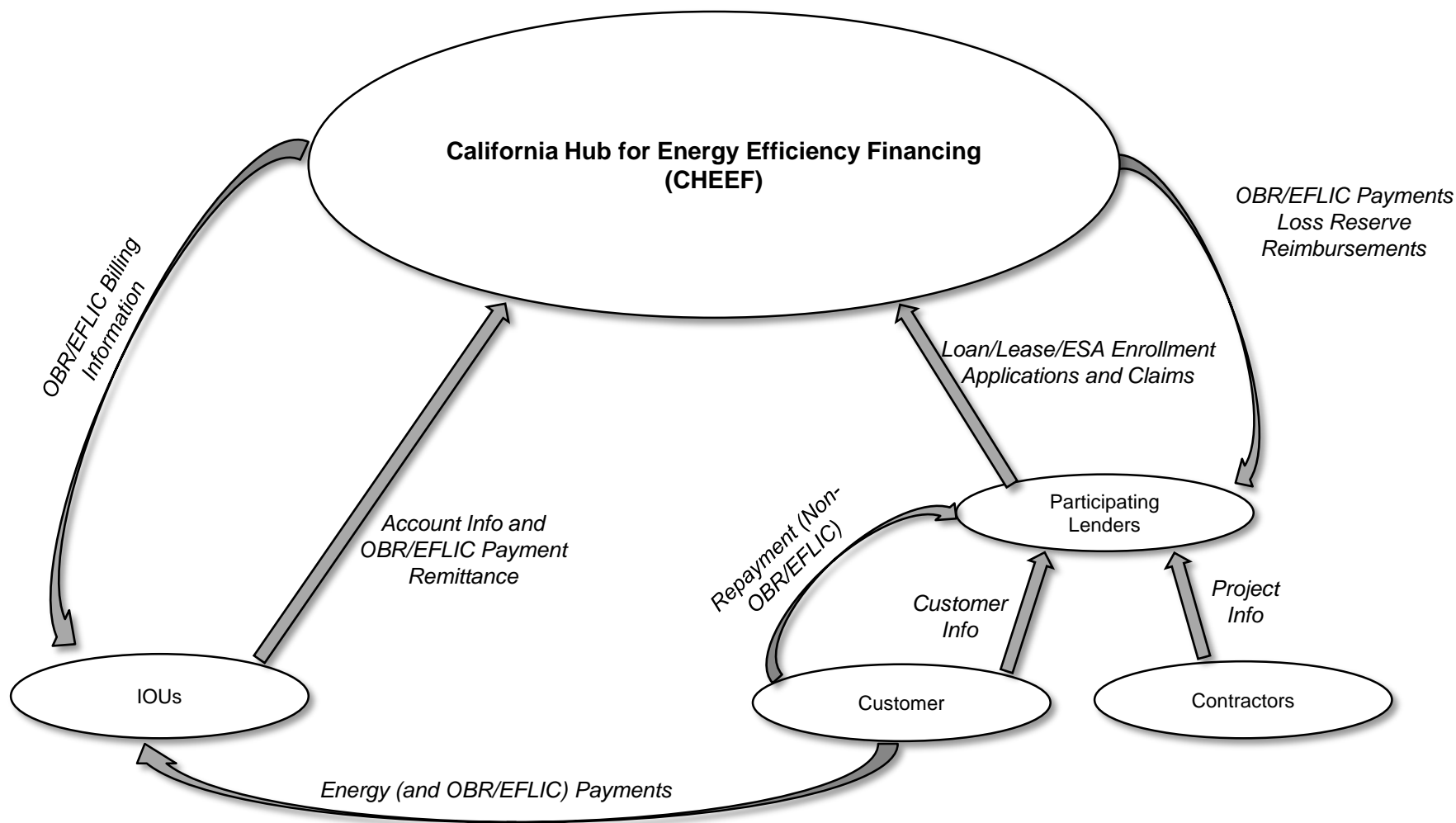
* CAEATFA confirming with CPUC that ESAs can be repaid off-bill and asking to include loans in off-bill pilot*

** CAEATFA asking the CPUC for inclusion of DG repaid on the bill, but no credit enhancement would support DG measures

Flow of Information and Payments between Parties in the OBR pilots



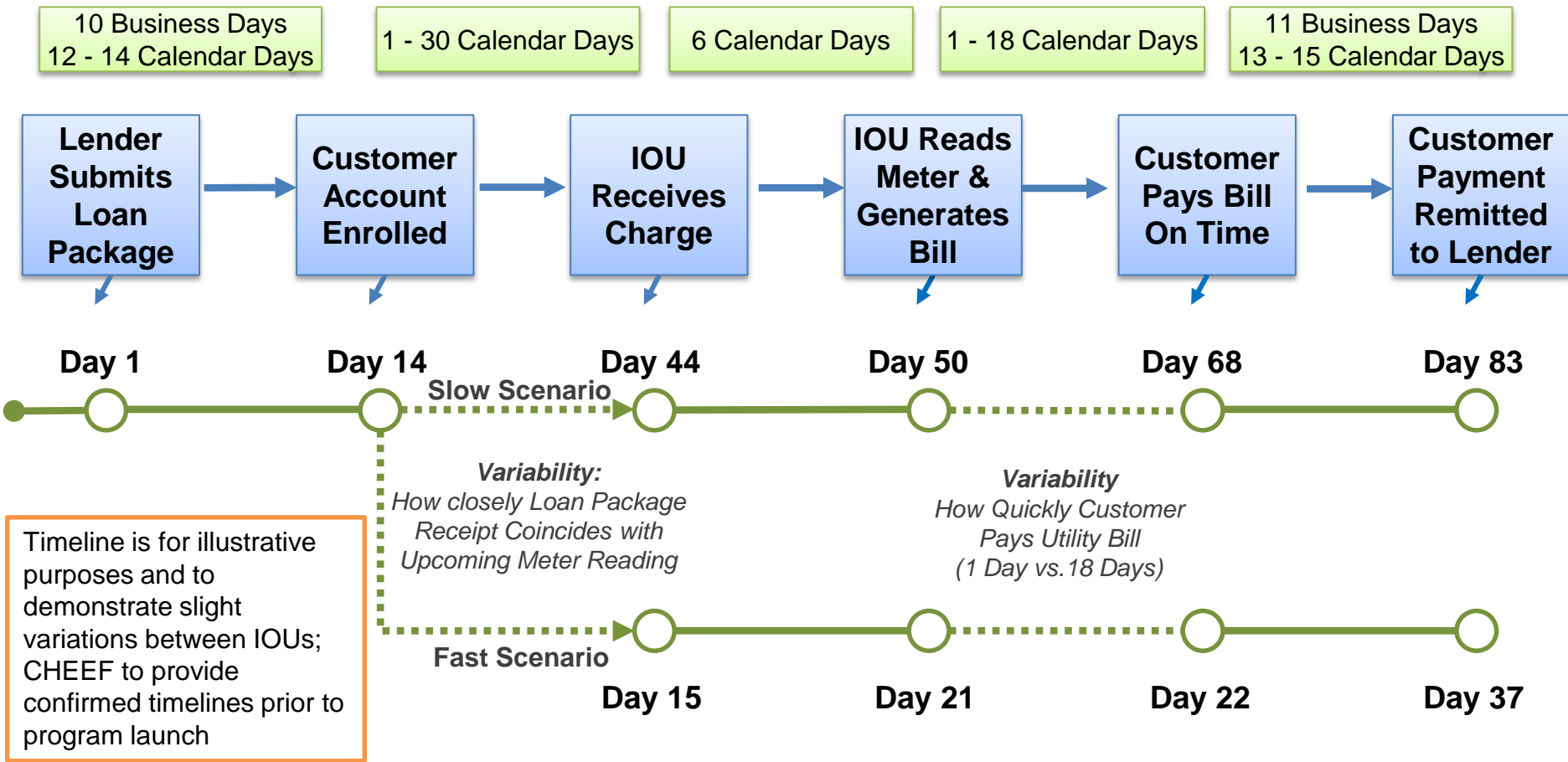
California Hub for Energy Efficiency Financing (CHEEF) Absorbs Complexity for Participants



OBR First Payment Timeline by IOU

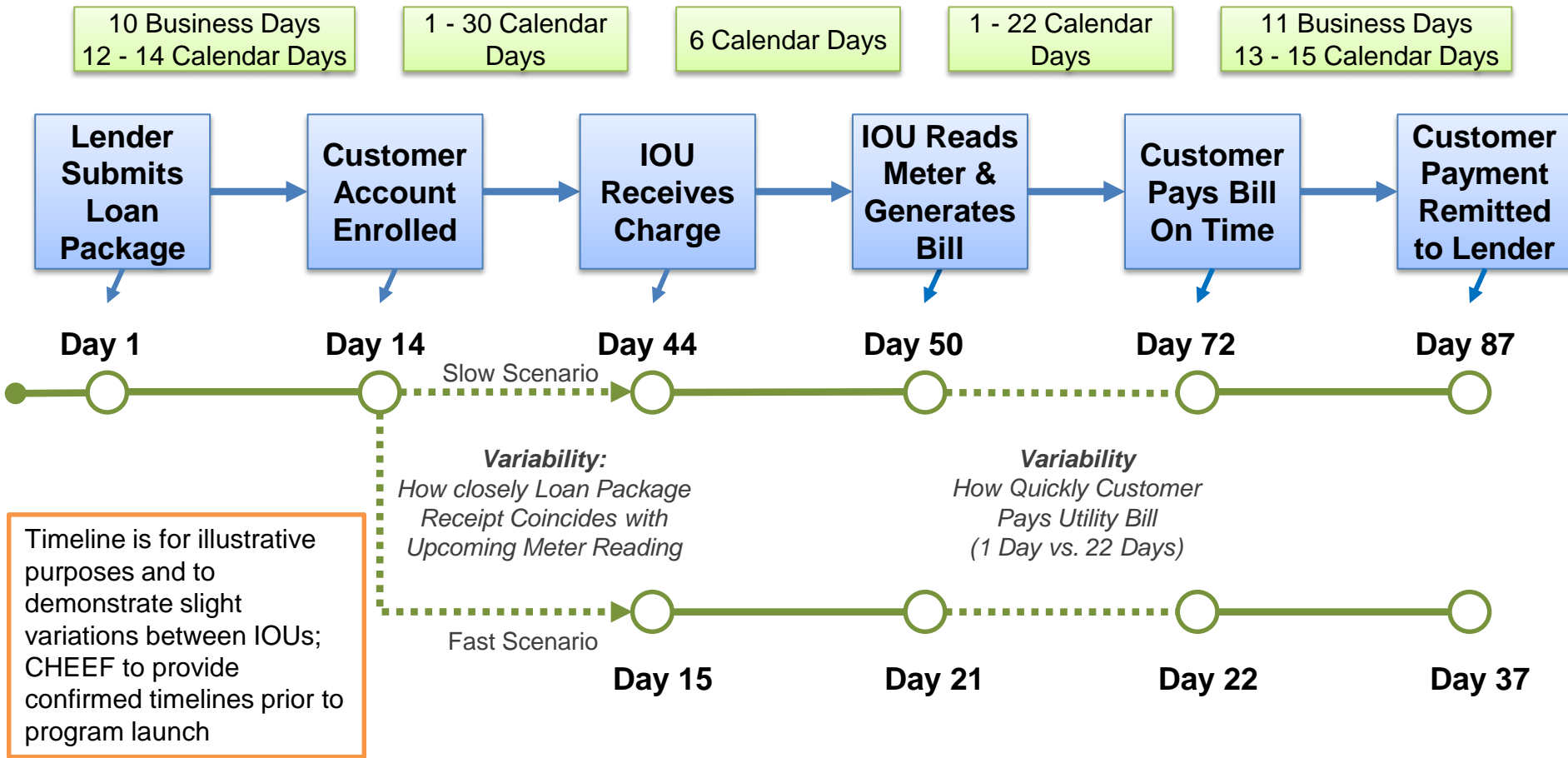
IOU OBR First Payment Timeline

Pacific Gas & Electric Commercial



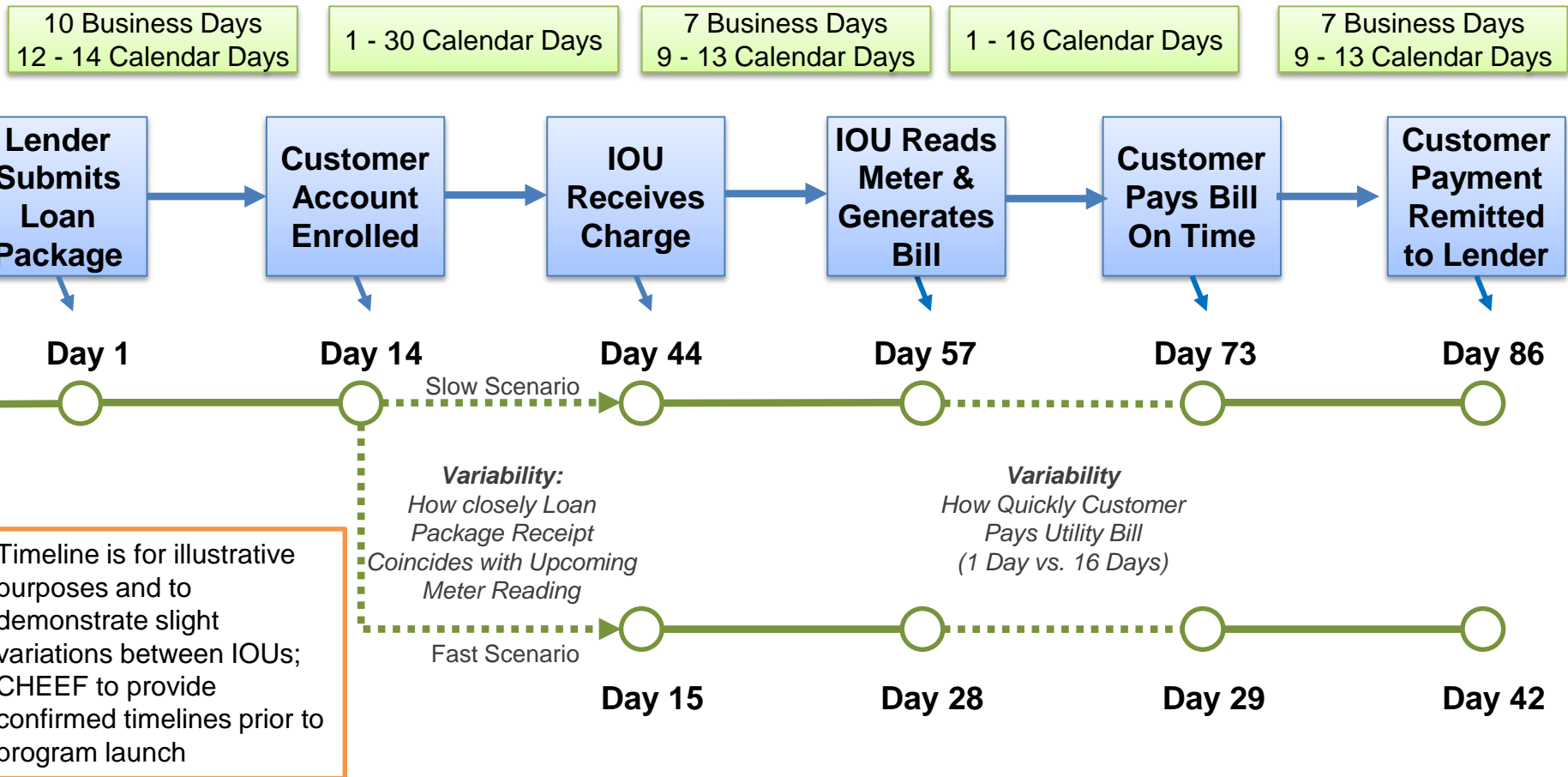
IOU OBR First Payment Timeline

Pacific Gas and Electric Company – EFLIC



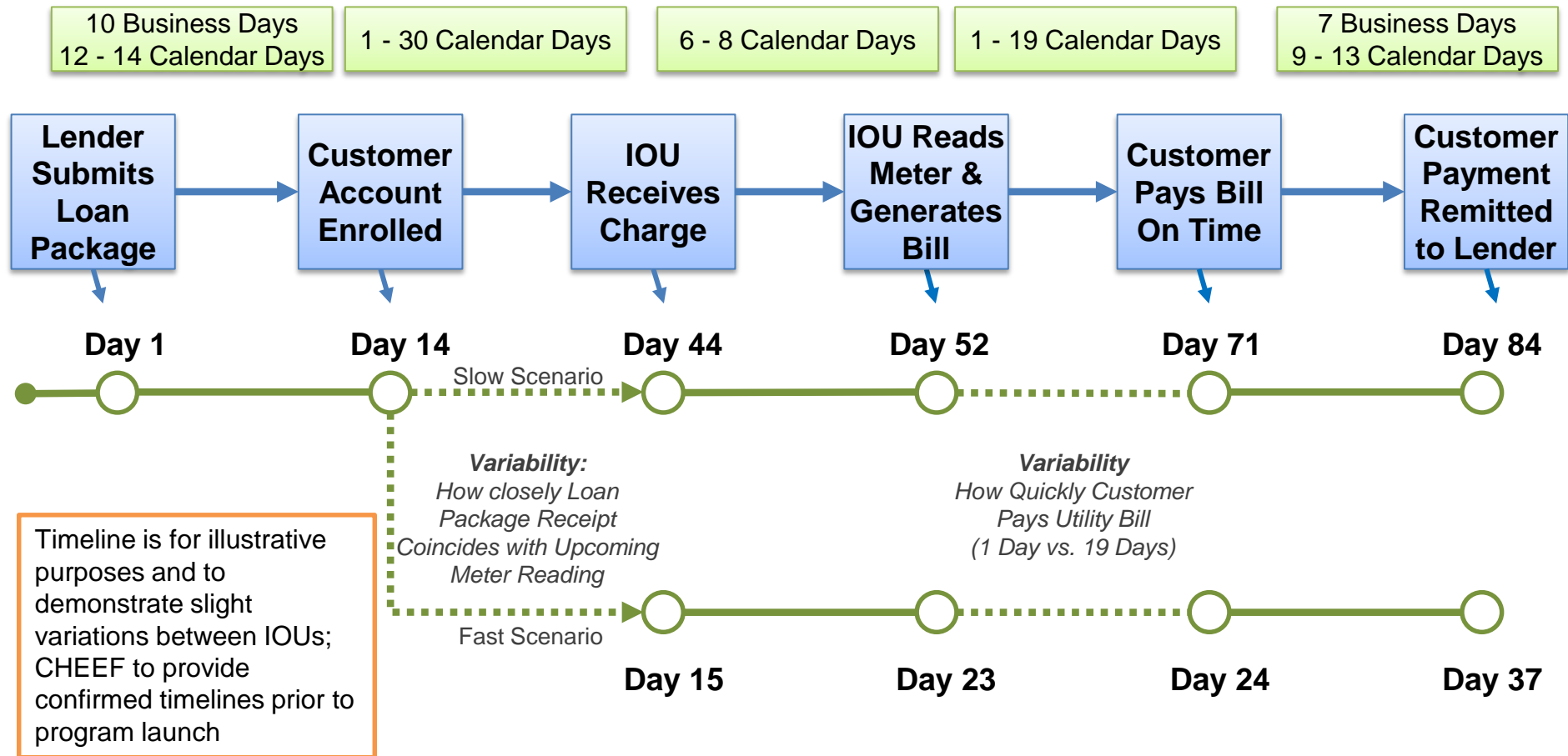
IOU OBR First Payment Timeline

San Diego Gas & Electric – Commercial OBR



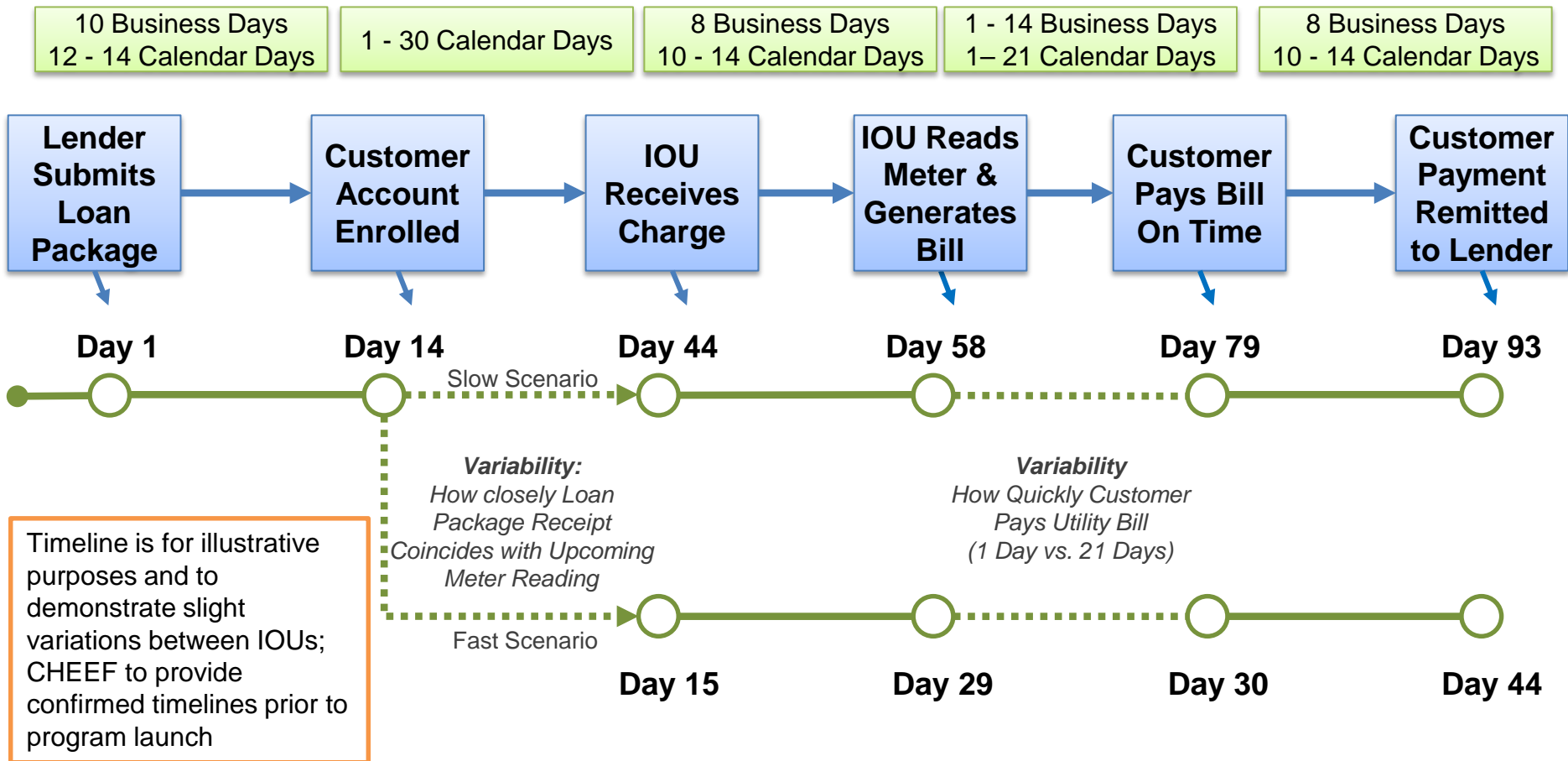
IOU OBR First Payment Timeline

Southern California Edison – Commercial OBR



IOU OBR First Payment Timeline

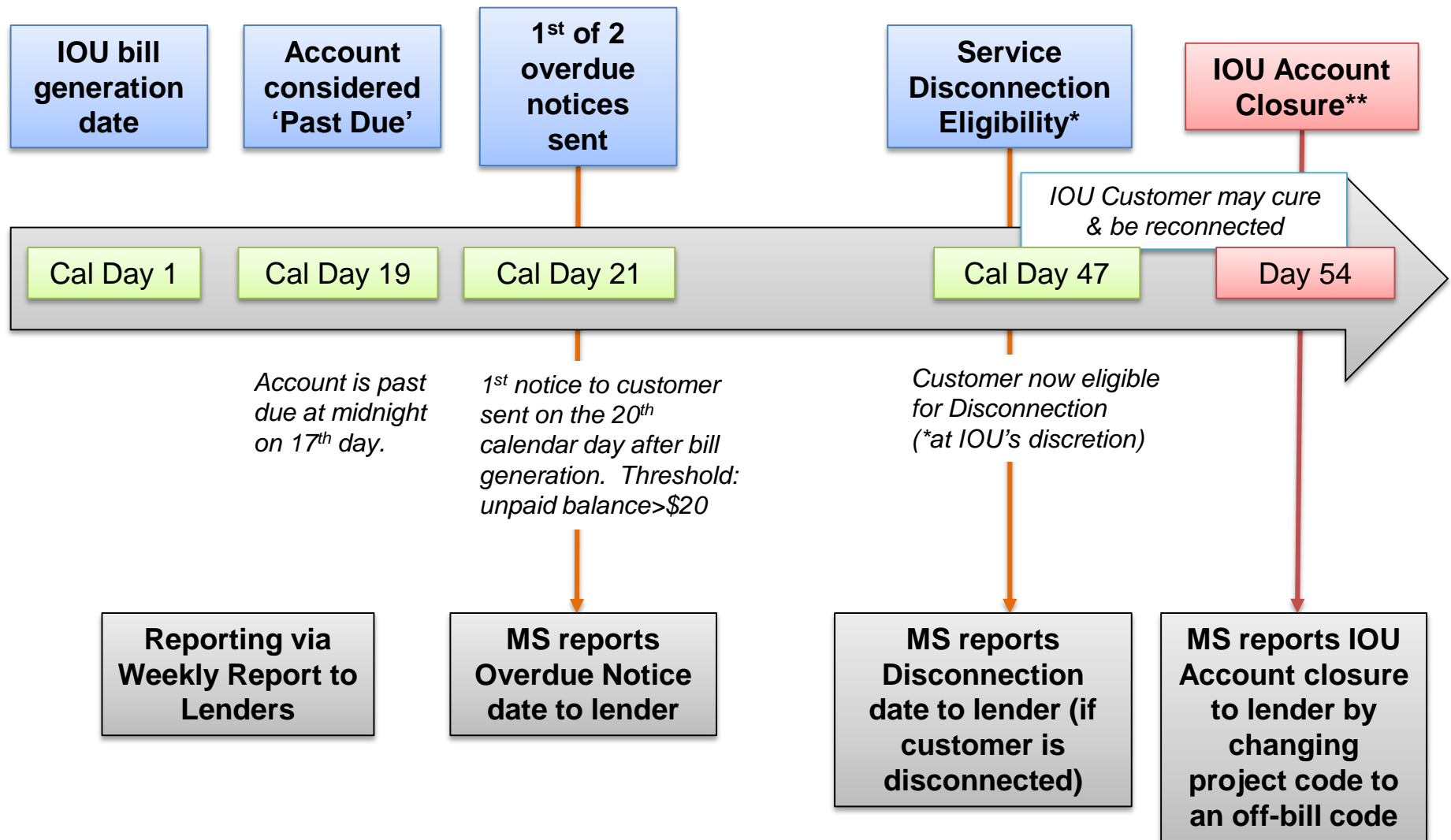
Southern California Gas Company – Commercial OBR



IOU Delinquency Timelines and Reporting Events for Lenders

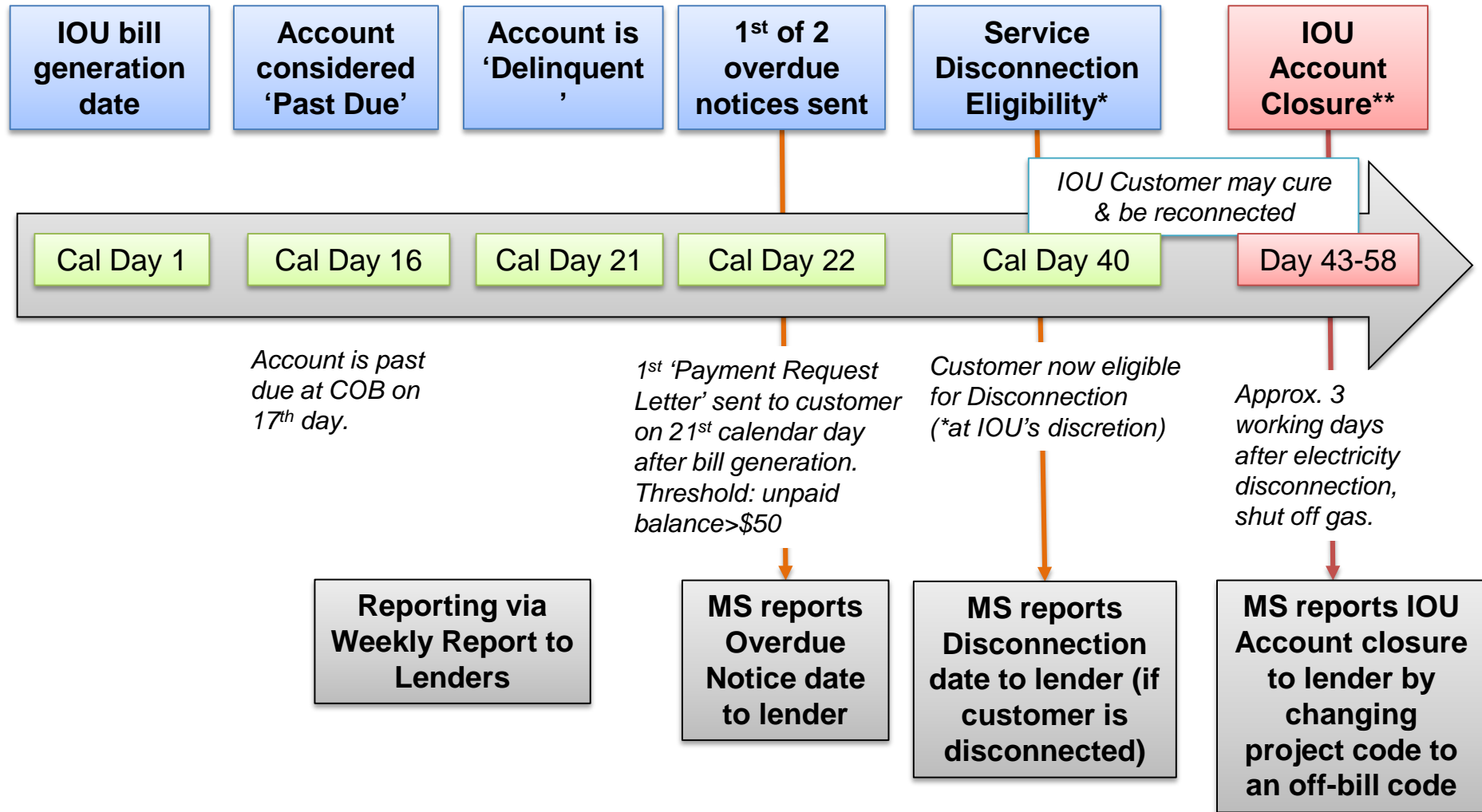
This deck includes updated slides for So Cal Edison, SDG&E and SCG. PG&E will be added to an updated slide deck prior to 1/31/17 workshop

So Cal Edison Delinquency, Disconnection & Account Termination: Lender Notifications



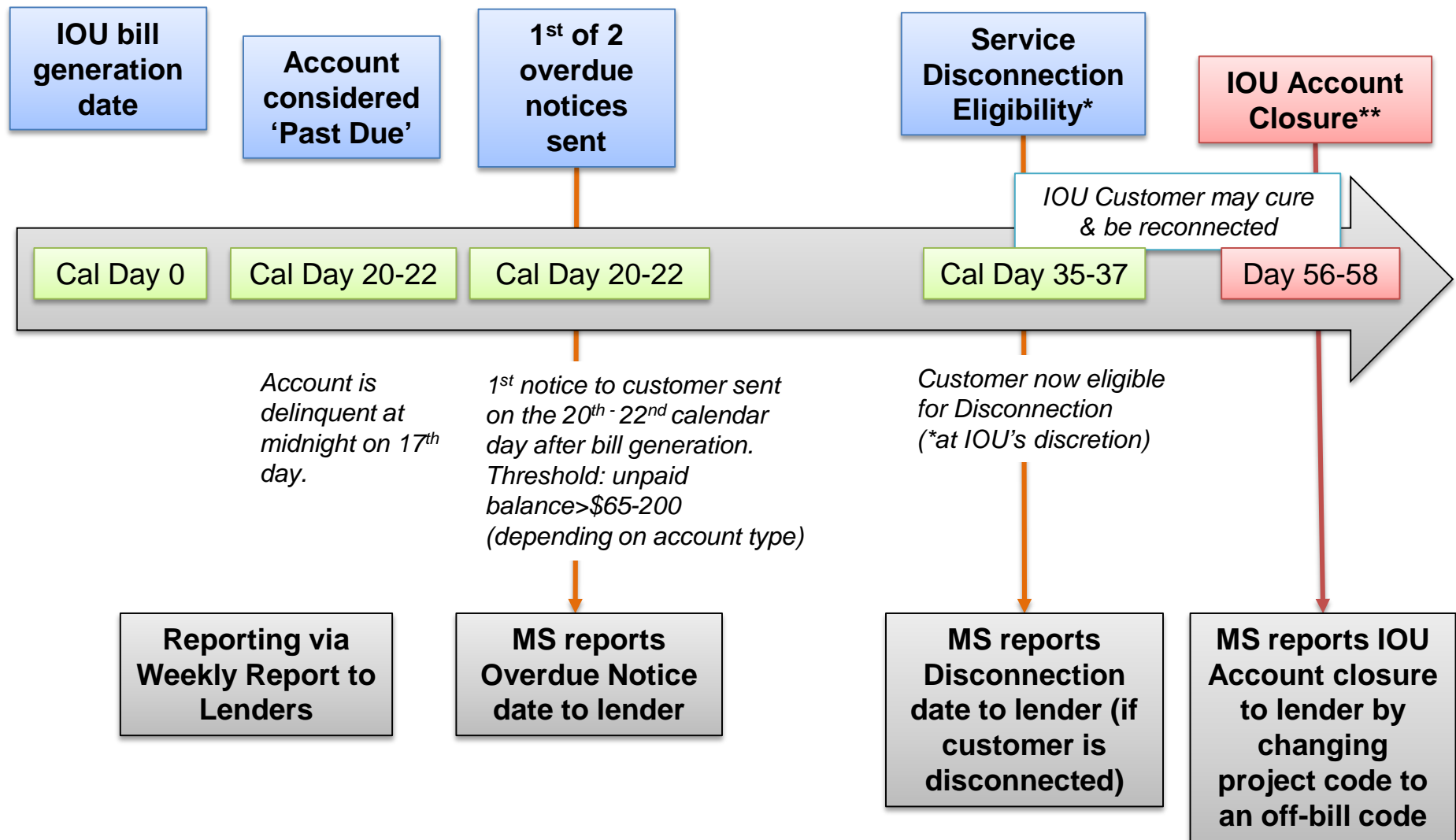
** Loan is removed from OBR at account closure, if lender has not already initiated removal

SDG&E Delinquency, Disconnection & Account Termination: Lender Notifications



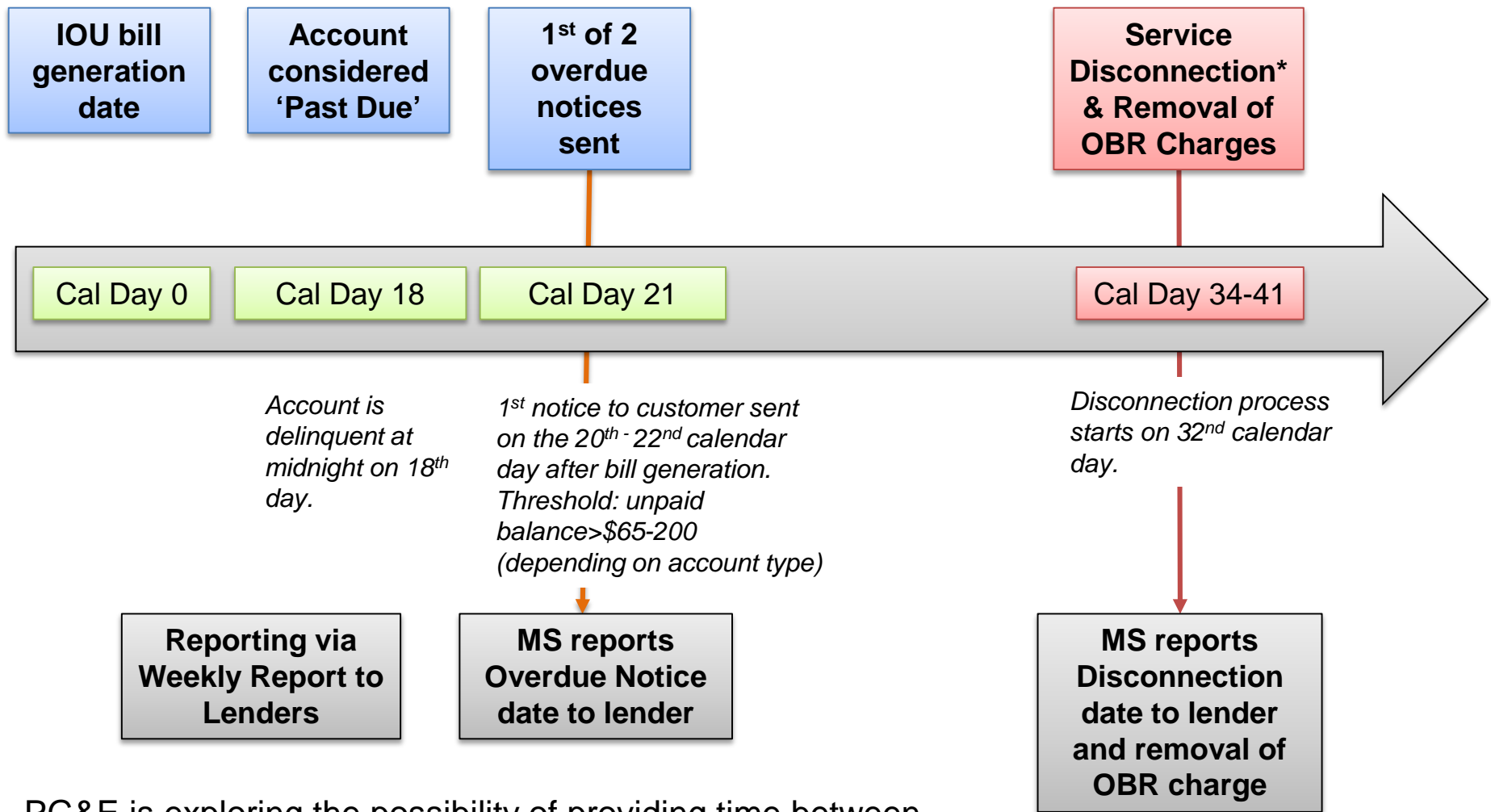
** Loan is removed from OBR at account closure, if lender has not already initiated removal

SCG Delinquency, Disconnection & Account Termination: Lender Notifications



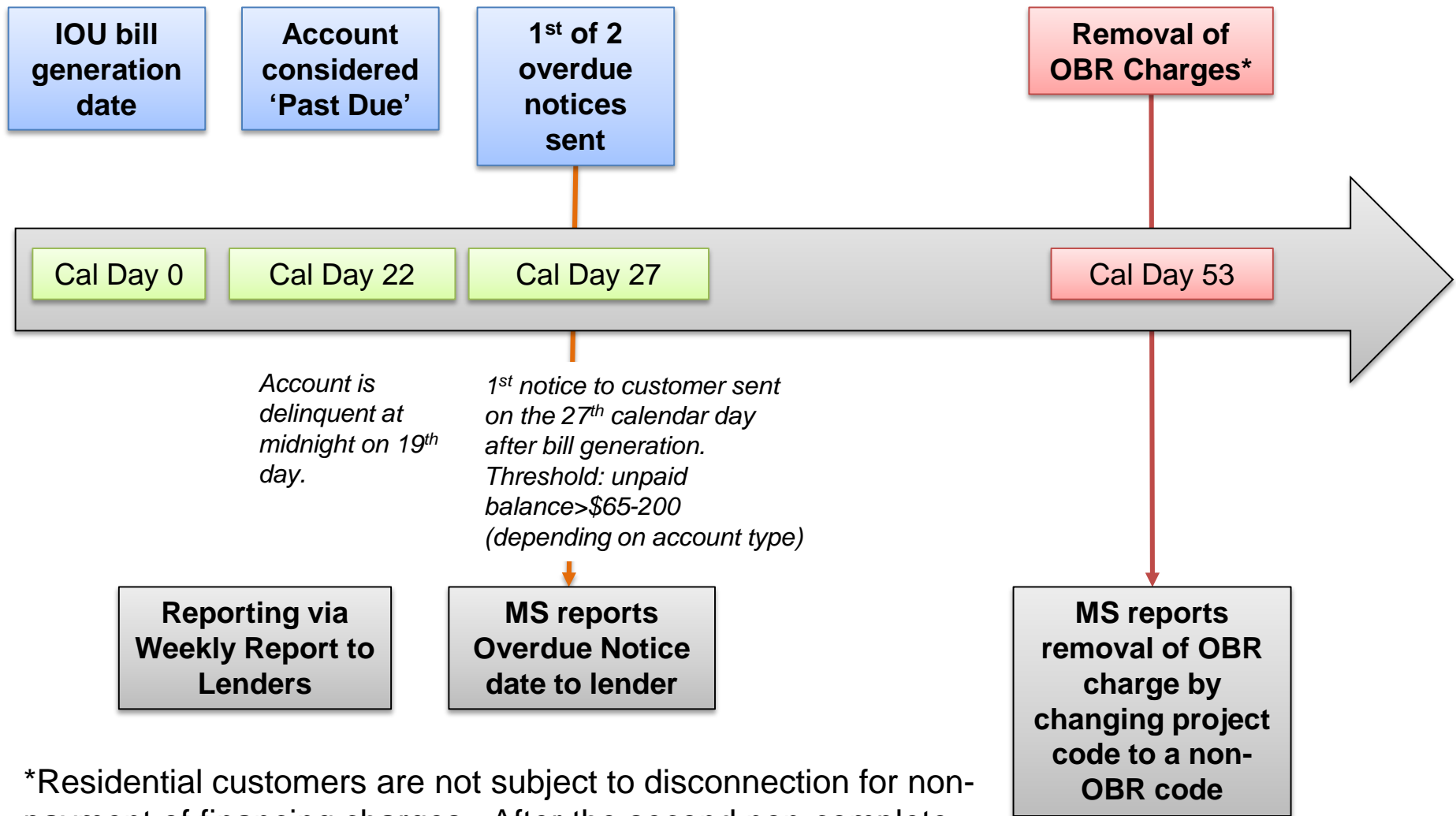
** Loan is removed from OBR at account closure, if lender has not already initiated removal

PG&E Commercial Delinquency, Disconnection & Account Termination: Lender Notifications



PG&E is exploring the possibility of providing time between disconnection and removal of OBR charges, so that customers could pay charges and remain in the program.

PG&E EFLIC Delinquency, Disconnection & Account Termination: Lender Notifications



*Residential customers are not subject to disconnection for non-payment of financing charges. After the second non-complete payment, customer will be removed from OBR program.

OBR Non-Performance Remedies

CAEATFA or CAEATFA Contractor Non-Performance

CAEATFA's regulations serve as the equivalent of a contract between CAEATFA and the lenders.

CAEATFA is legally obligated to carry out its roles to implement the OBR program.

- CAEATFA's contractors are obligated via a contract with CAEATFA to carry out their roles. From a lender contractual perspective, CAEATFA contractors should be viewed as part of CAEATFA.
- Any concerns with CAEATFA or CAEATFA contractors should be addressed through CAEATFA.

Lenders should:

- Contact CAEATFA to attempt to address the issue informally.
- Pursue a more formal process:
 - i. Compel CAEATFA to take an action
 - ii. Seek compensation from CAEATFA for funds not remitted, damages etc.

CAEATFA Actions in Case of Lender Complaint/Programmatic Failures (1)

CAEATFA is fully committed to understanding and addressing any lender concerns that may occur.

- Lenders are strongly encouraged to exhaust informal remedies prior to pursuing formal process.
- Should the informal staff process prove unsatisfactory, lenders may contact CAEATFA Board directly.

CAEATFA will:

- a. Review and seek to understand the substance of any lender concerns.
- b. Conduct audits of its contractors' actions where necessary, and work with IOUs to identify the source of any programmatic challenges (eg. Interruptions in the flow of funds).
- c. Correct programmatic challenges through coordination with IOUs and/or CAEATFA contractors.
 - To address short term concerns related to the flow of funds, CAEATFA has instituted an Operational Reserve Fund.

CAEATFA Actions in Case of Lender Complaint/Programmatic Failures (2)

To address catastrophic failures (eg. Master Servicer bankruptcy) CAEATFA expects to:

1. Notify affected parties
2. Address short term operational issues related to the flow of funds by putting a temporary pause to the program.
 - Direct IOU to cease payments to the impacted deposit accounts
 - Direct lender to move to a direct customer billing relationship

Non-Performance: Background

IOUs are legally obligated to comply with CPUC Decision 13.09.044 and the CPUC has authority to enforce its decisions. The CPUC may compel an IOU to comply with CPUC decision and may levy fines for failure to comply. Specifically:

Every public utility, corporation, or person which fails to comply with any part of any order, decision, rule, regulation, direction, demand, or requirement of the commission or any commissioner is in contempt of the commission, and is punishable by the commission for contempt in the same manner and to the same extent as contempt is punished by courts of record.

*Section 2113, Public Utilities Code. Reference Section 2113, Public Utilities Code.

IOU Non-Performance: Lender Recourse

If a lender has encountered a problem with OBR related to IOU non-performance [*e.g. an IOU fails to bill a customer for finance charges*]

The lender can:

1. Contact CAEATFA to seek informal resolution of the issue through discussion with CAEATFA and the IOU. This step is strongly encouraged.
2. If no resolution reached, lenders have standing to pursue a formal complaint with the CPUC regarding any:
 - ...act or thing done or omitted to be done by any public utility including any rule or charge heretofore established or fixed by or for any public utility, in violation, or claimed to be in violation, of any provision of law or of any order or rule of the Commission.

*Section 1702, Public Utilities Code.

IOU Loan Authorization Form Language

Loan Authorization Form Language pp.1-2

- 1. Authorization to Bill Loan Charges.** You authorize PG&E to include Loan Charges in your PG&E utility bills for the Service Address(es) until further notice. The Lender will determine the amount of the Loan Charge that is to be included in each bill, and PG&E will include that amount in your utility bill. PG&E does not verify the Loan Charges and other information provided by the Lender. The Loan Charges may increase or decrease from month to month based on the terms of the loan, the inclusion of late charges and interest, in accordance with the loan terms, and variations in the periods of time covered by each PG&E billing cycle.
- 2. Payment.** You agree to pay the Loan Charges along with the other charges in your utility bill by the due date for payment of the utility bill. All payments should be made to PG&E. PG&E will forward your Loan Charge payments to the Lender. If a funding account for the PG&E payment is a credit card or checking account, PG&E will not forward your payment of Loan Charges to the Lender unless that account has sufficient available credit to pay the full amount of the energy charges and the Loan Charges.
- 3. Partial Payments.** Partial payment applies to the components of the bill in accordance with existing Rules. Payments will be applied to past due Loan Charges prior to any current charges. If you make a partial payment on your utility bill, the partial payment will be applied to the following components of the utility bill in the order listed: (a) Utility charges, which include utility service and credit establishment charges; (b) Energy-related charges, which include charges based on energy consumption and tariff schedules; (c) Other applicable products and services charges, which include all other services billed by PG&E such as Loan Charges.

If you do not pay the Loan Charges in full, PG&E may elect to stop billing you for Loan Charges in which case the Lender will be responsible for collecting any unpaid Loan Charges and future loan payments from you. The Lender will notify you if PG&E ceases to include Loan Charges in your utility bill. Please note that if PG&E stops billing you for Loan Charges before the Loan is paid in full, you are still responsible for making loan payments directly to the Lender. Late payments may be subject to reporting to credit agencies by the Lender.

If you pay less than the total amount of your utility bill for two months, your Loan Charges may be removed from your utility bill. However, you are still responsible for paying any additional amounts due directly to your Lender.

Loan Authorization Form Language pp.1-2

4. **Overpayments.** Overpayments will be applied to Loan Charges and to utility and other non-Loan charges based on the amount owed for each currently or in the future, according to the priority of the components under existing rules. If you want to fully or substantially prepay Loan Charges, you must send the payment directly to the Lender, subject to Lender's terms and conditions.
5. **Billing Inquiries and Disputes.** If you have any questions about your loan or the Loan Charges, including any concerns that you may have been incorrectly charged, please contact the Lender at the number shown in the Account Information section below. Any disputes about your loan or the Loan Charges must be resolved between you and the Lender in accordance with your loan documentation and applicable law. PG&E will not be involved in resolving such disputes. Questions about the energy charges on your utility bill should be directed to PG&E at the number shown on the bill.
6. **Jurisdiction.** This agreement at all times shall be subject to such modifications as the California Public Utilities Commission may direct from time to time in the exercise of its jurisdiction.
7. **Authorization to Release Information.** If you choose to participate in an OBR Pilot, you must also sign one additional form to allow the release of confidential information regarding your energy usage: Form 79-1173 "Energy Efficiency Financing Pilot Programs Authorization or Revocation of Authorization to Release Customer Information" to provide the CHEEF authorization to receive energy usage data. PG&E shall also provide the CHEEF at the request of the CPUC or CHEEF accurate and timely data on customer-specific collection events that PG&E initiates in keeping with Gas and Electric Rule 11 procedures. PG&E will share only customer-specific data relevant to implement this program. Participating lenders may also request that you authorize the release of additional data related to bill payment history and other aspects of your energy use.
8. **PG&E shall have no liability in connection with, and makes no warranties, expressed or implied, regarding the Work.** Customer will be responsible for any and all losses and damage it may suffer in connection with, and any claims by third parties resulting from, the Work. Customer shall indemnify and hold harmless PG&E, its affiliates, and their respective owners, officers, directors, employees and agents thereof, from and against all claims, demands, liabilities, damages, fines, settlements or judgments which arise from or are caused by (a) any breach of Agreement by Customer; (b) any defects or problems with the Work, or the failure of the Work to deliver any anticipated energy efficiencies; (c) Customer's failure to pay any amount due or claimed by Contractor with respect to the Work; or (d) the wrongful or negligent acts or omissions of any party (including the Contractor) in the conduct or performance of the Work.